



# FINANCIAL TIMES

Europe's Business Newspaper

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## British Gas set to undergo radical reorganisation

British Gas announced a sweeping corporate reorganisation producing "most fundamental changes in organisation and culture... for more than 40 years", according to Norman Blacker, director responsible for the UK gas business. The changes, to be phased in over two years, are intended to prepare UK operations for future competition. They will end the corporation's traditional regional structure and create five business divisions. Page 24; London stocks, Page 15

## Former British Rail chairman dies

Sir Robert Reid, left, British Rail chairman from 1983 to 1990, died aged 72, after a lengthy illness. He is credited with modernising BR management, breaking up the traditional hierarchy and splitting BR into five sectors. He put in place many of the building blocks for BR's planned privatisation and break-up in spite of his distaste for the process. Obituary, Page 6

**Treasurer to quit:** Australian treasurer John Dawkins stunned financial markets and political colleagues with the announcement that he was resigning. Page 3

**Woolwich,** UK's third-largest building society, cut savings rates. Most of the 4m people who save with the society will find the rate cut by 0.41 percentage points. Page 4

**Mideast peace process falters:** A meeting due in Cairo next week between Israeli prime minister Yitzhak Rabin and Palestinian Liberation Organisation leader Yasser Arafat, is likely to be postponed. Page 3

**UK takes more Bosnian refugees:** Sixteen seriously injured Bosnians - at least six of them children - are to be treated in UK hospitals after the government agreed their transfer with the United Nations High Commission for Refugees. Serbs to vote as economy crumbles, Page 2

**Warning on food discounts:** Asda chief executive Archie Norman said Britain's food retailers faced a serious threat from discounters, as he unveiled a 14 per cent jump in first-half operating profits to £106m. Page 10; Lex, Page 24; London stocks, Page 15

**Contracts opened up:** Government contracts worth hundreds of billions of dollars in EU countries and 11 others, including Japan and the US, are to be opened to international competition for the first time after talks in Geneva. Page 2

**Life terms for 'appalling' murder:** Four people were convicted at Manchester Crown Court of the murder of 16-year-old Suzanne Capper, who was drowned in petrol and set on fire near Stockport, Cheshire, after being held captive for nearly a week. Jean Powell, 26, her estranged husband Glen, 29, and Bernadette McNeilly, 24 were sentenced to life terms for what Mr Justice Fottis, the trial judge, called "as appalling a murder as it is possible to imagine". Anthony Hudson, 17, was ordered to be detained during her majesty's pleasure.

**Tough drink-driving terms urged:** Motorists who kill in the most severe drink-driving cases should be given prison terms near the maximum of 10 years, Lord Taylor, lord chief justice, said. He issued the guidelines at a hearing at which sentences on two drivers who caused death were increased.

**Lib Dems face racism split:** Liberal Democrats in the London borough of Tower Hamlets may set up a breakaway splinter group after an internal inquiry urged expulsion of three party members. Page 6

**Crime crackdown:** Measures giving courts powers to lock up children of 10, detain persistent juvenile criminals in secure training centres and end suspects' right to silence were unveiled by home secretary Michael Howard. Page 6

**Moore's millions:** Sir John Moore, founder of Littlewoods Pools who died in September aged 97, left a UK estate valued at £10m.

**Chaplin bowler under the hammer:** Charlie Chaplin's bowler hat and cane were sold for £55,000 at Christie's in London by a Swedish businessman to a British collector.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,337.1	(+25.9)	New York lunchtime
Yield	3.53		1.4895
FT-SE Euro100	1,483.24	(+11.78)	London
FT-SE 100	1,483.24	(+11.78)	1,481
Nikkei	18,051.91	(+282.63)	DM
New York lunchtime			2,542 (2.54)
Dow Jones Ind Ave	3,739.28	(+13.14)	FFr
S&P Composite	464.92	(+1.58)	2,167 (2.172)
US LUNCHTIME RATES		Y	184.25 (183.5)
Federal Funds	2 1/2%	£ Index	81.5 (same)
3-mo Treas Bill	3.062%	DOLLAR	
Long Bond	8.29%	New York lunchtime	
Yield	8.29%	DM	1.7045
LONDON MONEY		FFr	5.8275 (5.8375)
3-mo Interbank	5.2%	Sfr	1.4545 (1.4595)
Little long bill future	Dec 120 1/2	Y	110.1 (109.75)
NORTH SEA OIL (Argus)		£ Index	67.0 (same)
Brent 15-day Feb	\$13.61		
Gold			
New York Comex	\$387.4	(+35.9)	Tokyo close
London	\$388.2	(+36.2)	Y 108.84

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## Loyalists may end killings if IRA agrees ceasefire

By Tim Cooney in Dublin and David Owen in London

Loyalist gunmen in Northern Ireland yesterday ruled out a unilateral ceasefire but held out the prospect of an end to killings if the IRA laid down its arms.

The Combined Loyalist Military Command (CLMC), in its first response to this week's declaration by the British and Irish prime ministers, made clear the IRA must make the first move. In the absence of any response from the "Provisional murder gangs"

it would pursue its "stated policy in retaliation to IRA violence".

The loyalist statement came as Mr Albert Reynolds, the Irish prime minister, fleshed out Dublin's proposal for a peace forum to pave the way for an early entry by Sinn Féin, the IRA's political wing, into dialogue.

Mr Reynolds told the Dail (the Irish parliament) that the forum would initially draw together strands of nationalist opinion in both parts of the island.

Mr Dick Spring, the Irish foreign minister, yesterday held out

the prospect of lifting Ireland's broadcasting ban on Sinn Féin, if it accepted the peace initiative.

The ban comes up for its annual review next month. Mr Spring said: "I would like to feel we can arrive at a decision which will further promote and enhance the prospects of an open dialogue, in which everyone who accepts a democratic mandate can take part."

Mr Peter Brooke, UK national heritage secretary, is expected to report to Mr Major on a review of British restrictions on broadcast-

ing direct speech by members of terrorist organisations in the province early next year.

Downing Street officials sought to underline the degree of cross-party backing in Britain for the peace initiative by praising Thursday night's broadcast by Mr John Smith, the Labour leader.

Their comments follow unease on the Tory backbenches over the extent to which they perceive the Downing Street Declaration as diluting the government's commitment to the Union and

embracing the nationalist agenda.

A further boost for the peace initiative came when Cardinal Cahal Daly, the all-Ireland primate for the Roman Catholic Church, said the declaration gave paramilitaries on both sides an honourable opportunity to halt their violent campaigns.

As a poll suggested the people of Ulster were divided over whether the initiative was a first step towards peace, the CLMC said it was seeking clarification on certain aspects of the joint

declaration. It would make a "considered response" later.

The CLMC - an umbrella group comprising principally the Ulster Freedom Fighters (UFF) and the Ulster Volunteer Force (UVF) - also called for the creation of a unionist forum "to encompass all the loyalist and unionist political parties".

Mr Reynolds said the peace forum would pave the way for wider talks between nationalist and unionist parties together.

Dublin forum, Page 4

## Steelmakers angered as EU approves state aid

By Andrew Hill in Brussels and Andrew Baxter in London

Europe's big steelmakers reacted angrily last night when the European Union cleared the way for restructuring its ailing steel industry after more than a year of often bitter wrangling over state subsidies.

Industry ministers unanimously approved a series of state aids for public sector steel producers in eastern Germany, Italy, Spain and Portugal worth nearly Ecu7bn (£5.33bn) and involving more than 5m tonnes of capacity reductions.

The deal is the most far-reaching attempt by the Commission to resolve the deep-seated problems of Europe's steel industry since the restructuring carried out under the Davignon plan of the early 1980s. Without agreement on state subsidies, the entire industry faced sliding into further heavy losses next year.

The European Commission and the Belgian presidency of the EU said it was now up to non-aided steel producers to carry out production by almost 25m tonnes, easing problems of overcapacity. But the deal was immediately criticised by these unsubsidised private sector producers, raising the possibility that they will be reluctant to offer their own capacity cuts.

"This is a compromise, driven by political expedience," said British Steel. Mr Ruprecht Vondran, president of the German Steel Federation, called it "pure window dressing for the public" and predicted dire consequences for Germany's private steelmakers. The ministers issued a strong political declaration ren-

ouncing further state subsidies for the companies involved. Mr Paolo Savona, the Italian industry minister, said: "The importance of today's agreement is exactly that it is a road without a return."

Mr Savona had been accused by the Commission and the Belgian presidency of blocking an overall deal on state subsidies at the November meeting of industry ministers. But the agreement on restructuring, the state-owned Italian producer, was reached without detailed discussion yesterday.

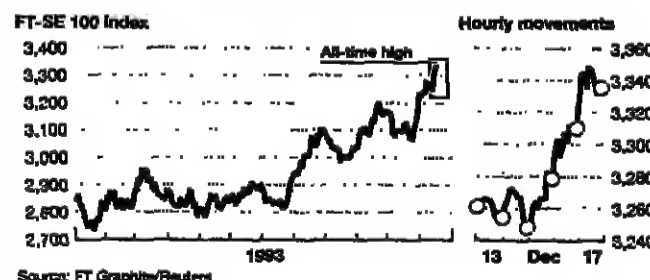
Mr Tim Sainsbury, British industry minister, also had to abandon UK resistance to the restructuring of Ekostahl, the German producer. But Britain and Denmark won commitments that Riva, the private Italian company planning to buy Ekostahl, would limit new capacity to 900,000 tonnes over the next five years, and "significantly below 2m tonnes" up to 2004.

Mr Sainsbury also stressed that most of the restructuring packages would involve an element of privatisation which, he said, would lead to "much fairer trading for steel in the Community". Yesterday's agreement is subject to formal parliamentary scrutiny in Denmark and Britain.

The Commission has already won agreement from ministers for other elements of its rescue plan: Ecu240m of financial support to ease the pain of more than 50,000 redundancies; monitoring of the steel market; and safeguards to limit cheap imports of steel from central and eastern Europe.

GERMANS upset, Page 2

## Festive cheer: London shares continue second-half surge



Source: FT Graphix/Reuters

## UK shares hit new high as economic outlook brightens

Shares in London closed last night at another record high, boosted by hopes of steady economic growth next year with inflation staying weak.

The FT-SE 100 index of leading stocks climbed 25.9 to finish at 3,337.1, for a 76-point rise on the week. Since the day before the Budget on November 30, share prices have gained 7 per cent.

UK government bonds also continued their good run, with prices driven up by low inflationary pressures and expectations of a cut in interest rates early in the new year.

Report and Lex, Page 24  
Bonds, Page 12  
London stocks, Page 15  
Markets, Weekend Page II

## Annenberg gives \$500m to help troubled US schools

By George Graham in Washington

Teachers labouring in a US school system beset by violence and declining results yesterday received an early Christmas present.

Mr Walter Annenberg, the publishing magnate and philanthropist who served as President Richard Nixon's ambassador to London, announced that he would give \$500m (£385m) to help improve the US public education system.

The 85-year-old Mr Annenberg, who has already donated hundreds of millions of dollars to universities and private schools, said he had been deeply troubled by the violence in some schools. "If this continues it will not only erode the educational system but will destroy our way of life in the United States," he said.

The gift is the largest ever made to the US public education system. It will initially include a \$60m grant to the New American Schools Development Corporation, a government-sponsored initiative to promote innovation in education, and \$15m for the Education Commission of the States to help local governments reform their school systems.

Mr Annenberg will also give \$15m to set up an Institute for School Reform at Brown University. The rest of the gift will be channelled through other educational organisations.

President Bill Clinton, who has been pressing for legislation to set national educational standards, said the gift "could not have come at a better time".

Educators have expressed growing concern about the difficulties of teaching in schools whose students routinely carry guns and knives. Many inner city schools have set up metal detectors to screen students. One recent study showed that 100,000 students bring guns to

## Six directors of Frankfurt-based conglomerate lose jobs

By David Waller in Frankfurt

The daunting career of Mr Heinz Schimmelbusch as chief executive of Metallgesellschaft came to an ignominious end yesterday when he was sacked as head of the Frankfurt-based conglomerate.

Mr Schimmelbusch, a charismatic Austrian businessman, built the company into one of Germany's largest industrial groups. Together with Mr Meinhard Forster, the group's finance director, he was ousted following a meeting of Metallgesellschaft's supervisory board. The meeting was convened to examine the mounting problems of MG Corp.

the group's US-based trading subsidiary, which have triggered a liquidity crisis in the company as a whole.

Mr Schimmelbusch and Mr Forster were sacked on the grounds that they had failed to keep the supervisory board informed of developments at MG Corp. and they have acted in breach of German corporate law. Four other directors left the management board after reaching agreement with the supervisory board.

Mr Kajo Neukirch, a former chief executive of the Hoechst steel group, who has a reputation in Germany as a tough restructuring specialist, was appointed as

Mr Schimmelbusch's successor with immediate effect. Four further new directors were appointed, three from outside the Metallgesellschaft group.

The forced personnel changes are highly unusual for so large a German company, bearing witness to the gravity of the problems at MG Corp.

Last week Metallgesellschaft was forced to turn to its bankers to negotiate new credit lines after MG Corp was obliged to make large "margin payments" - cash calls - on oil futures contracts taken out in New York. Last

Continued on Page 24  
Lex, Page 24

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# Kohl's health plan rejected by Bundesrat

By Judy Dempsey in Berlin

Chancellor Helmut Kohl's efforts to push through reforms aimed at financing care for the aged failed yesterday, when the reforms were rejected by the Bundesrat or upper house.

The reforms, aimed at shifting the burden of old age health care away from local councils to enterprises, were defeated by the opposition Social Democrats, who form the majority in the Bundesrat. Another joint commission - the third so far - is expected to be set up in January to work out a new proposal.

Mr Friedrich Bohl, head of the Chancellery, said the government was "very disappointed" with that result, and accused the SPD of blocking necessary help for the 2m people dependent on nursing. Full time nursing, which costs about DM5,000 (£1,950) a month, is financed by the municipalities, many of which are running large budget deficits.

Mr Kohl, and Mr Norbert Blum, the labour minister, had pledged to introduce reforms before next year's state and federal elections to win the votes of the elderly.

The reform measures came unstuck after SPD officials representing the Länder, or states, challenged the way in which employees would have to finance the reforms.

The government had intended to seek contributions



Kohl: reforms were aimed at financing care for the aged

of 1 per cent a month starting from 1994, and 1.7 per cent after 1996, which would be shared equally by employees and employers.

But employers were sharply critical of the measures, saying they would further reduce Germany's competitiveness by raising wage bills for industry. At the insistence of the Free Democrats, the junior partners in the coalition, a plan was tabled for compensating employers through a cut in official holiday pay by 10 per cent from next year, and 20 per cent in 1996, or through the scrapping of first one day of holiday, and then two, by 1996. However, SPD deputies - and the trade unions - rejected both the compensation arrangements, and the level of employee contributions.

## Anger at steel subsidy scheme

By Ariane Genillard in Bonn and Judy Dempsey in Berlin

Mr Ruprecht Vondran, president of the German Steel Federation, yesterday sharply denounced the steel subsidy package agreed by European Union industry ministers, as "pure window dressing for the gullibles", and predicted dire consequences for Germany's private steel makers.

The deal, which will allow a series of state aids for public-sector steel producers in east Germany, Italy, Spain and Portugal, worth nearly Ecu7bn (\$5.3bn), also sets capacity cuts of over 5m tonnes.

Referring to yesterday as "a black Friday for the private steel industry in Europe", he accused the EU of "once again handing out subsidies to ailing state-owned steel makers at the expense of the taxpayers".

"Capacity cuts will be made on paper only. In return, the Italian and Spanish steel producers will receive billions in subsidies," Mr Vondran said.

Private steelmakers in Germany argue that capacity cuts offered by Spain and Italy do not correspond to current output levels. Moreover, they add, subsidies will give a competitive edge to state-owned steel companies at the expense of the private sector. They warn this will force private steel companies to further cut

capacity and lay off tens of thousands of steel workers.

"The politicians, including the German government, must decide if they are willing to have an efficient German industry destroyed by the industrial policies conducted in other European capitals," he said. Mr Vondran also accused Bonn of betraying German private steelmakers by winning approval for subsidies for Ekostahl, the steel plant in eastern Germany.

The Treuhand privatisation agency, which runs Ekostahl, welcomed the decision and said, "It paves the way for restructuring the steel mill."

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## EU and US agree oilseeds deal

European Union farm ministers yesterday hammered out a deal on implementing an oilseeds accord with the US in an all-night session at the end of a five-day meeting. Reuter reports from Brussels. The oilseeds pact was part of a wider deal to cut farm subsidies struck in Washington more than a year ago. It restricts EU production of sunflowers, rapeseed and soybeans.

### French economy picking up

The French economy will grow by 0.2 per cent in the first three months of 1994 and by 0.4 per cent in the second quarter, Insee, the government statistics agency forecast yesterday. David Buchanan reports from Paris. This is a slight increase from the 0.1 per cent expansion that Insee forecasts for the current quarter.

### German potash merger approved

More than DM500m (£317m) will be invested in eastern Germany's potash industry after the EU approved a merger with a western German company, Kali & Salz, a subsidiary of BASF, writes Judy Dempsey from Berlin.

### VW renews Skoda pledge

The Czech government and Volkswagen, the German vehicles group, yesterday partially resolved their dispute over VW's investment plans for its joint venture with Skoda, writes Patrick Blum from Vienna. Officials said VW reaffirmed that it would raise its stake in Skoda from 31 per cent to 70 per cent by the end of 1995 as planned, but investment would be reduced to DM3.7bn.

### Ukraine tries economic plan No.8

Ukrainian MPs yesterday approved the government's latest economic plan, the eighth in two years, aimed at bringing the economy under control and cutting 70 per cent a month inflation, writes Jill Barsby in Kiev.

# Government contracts to be opened up

By David Dodwell in Geneva

Government contracts worth hundreds of billions of dollars are to be opened to international competition for the first time following agreement on government procurement concluded this week in Geneva in parallel with the Uruguay Round talks on global trade liberalisation.

The agreement, which will cover both national and state-level government contracts, as well as utilities such as water and electricity, will expand tenfold the coverage of contracts open to international bidding, according to staff at the General Agreement on Tariffs and Trade.

Four former Soviet republics - Armenia, Latvia, Moldova and Ukraine - are to negotiate entry to the General Agreement on Tariffs and Trade, bringing to 19 the number of countries in the queue to join the 114-member world trade body, writes Frances Williams in Geneva.

The agreement, finalised this week, will apply to the 12 European Union member states, and 11 other countries ranging from Japan, Hong Kong and Korea to the European Free Trade Association countries, Canada and the US. It will come into force at the beginning of 1995.

Under the agreement, foreign suppliers must be given no less favourable treatment in government procurement than national suppliers.

This will involve clear rules on how to tender; no use of technical specifications simply to block outside bidders; clear information on how bidders qualify; proper notice of invitations to tender; providing tender documents to potential suppliers; and full information afterwards on who won a contract and on what terms.

The US and the European Union have been at loggerheads over procurement contracts since early this year. A

breakthrough occurred in May, when negotiators agreed to hived off the telecommunications sector from the procurement package. Talks on a separate telecommunications agreement aim to reach a deal by early 1994.

The US has consistently claimed that it is more generous in the government contracts it opens to international bidding. In 1990, it says bidding opportunities worth \$16.8bn (£11.3bn) were offered to EU

contractors - more than twice the \$7.8bn offered by EU governments in the same year. The EU has replied that new EU procurement rules linked with creation of the European single market have massively increased the contracts open to foreign bidders since 1990. They have complained about US reluctance to include state-level procurement business, much of which is protected by "Buy America" acts, within the scope of the agreement.

They have also fought to include contracts from private-sector companies, such as water and power companies, which operate as effective monopolies. In many European countries, these are state-

owned, and fall under the government procurement accord. After a long dispute over thresholds above which tenders must be open to international bidding, the agreement sets a floor of SDR 130,000 (£121,000) for central government purchases of goods and services; SDR 200,000 for state or sub-federal bodies; SDR 400,000 for utilities; and SDR 5m for construction contracts.

In response to fears that aggrieved bidders would not be able to challenge an award they regarded as suspect, governments have agreed to put domestic procedures in place to mount challenges, and obtain redress.

## Serbs to vote as economy crumbles

Laura Silber on the hardships after three years of war and 19 months of UN sanctions

Journalists from Television Serbia are already toasting the victory of Serbia's ruling Socialist party ahead of tomorrow's parliamentary elections, so confident are they of another victory for their sponsors.

Their confidence may be misplaced. All the indications are that the opposition are more popular and have run a better campaign.

Recent opinion polls indicate that opposition parties, notably DEPOS, the opposition coalition led by Mr Vuk Draskovic, the ultranationalist Radicals of Mr Vojislav Seselj, and the centrist Democratic party could pose a challenge to Socialist majority rule.

But, after three years of war and 19 months of sanctions, Serbia has turned into something of a never-never land and the results of opinion polls are rarely borne out by the votes recorded.

"Under normal circumstances, the opposition would be a sure winner, but here nothing is as it seems," said a western diplomat, reflecting on whether the Socialists would, for the third time since the first multiparty elections in 1990, succeed in capturing most of the 260 seats in the Serbian parliament.

As if oblivious to the rapidly deteriorating economy, a monthly inflation rate of 450,000 per cent and an average wage of \$1.50, the Socialists' message ahead of the polls has been that President Slobodan Milosevic has achieved Serbia's national goals and that only he can now secure a Greater Serbia.

But, picking through rubbish bins, dispensing with colourful dinar notes too worthless even



An aged woman displays her worthless pension cheque while waiting for free food in Belgrade yesterday, two days ahead of parliamentary elections in Serbia. Hyperinflation and high unemployment have pushed many people to the brink of starvation

to bother collecting, the inhabitants of Belgrade appear more concerned with economic than with national salvation.

In the conviction that Serbs have won the war in Croatia and Bosnia, they are preoccupied with how to survive.

The opposition has focused on this preoccupation and pitched its campaign at countering the economic chaos, accusing the government of plunging Serbia's 7.1m voters into drastic impoverishment.

While the Socialists blame the economic situation on the UN sanctions, imposed for Serbia's violent carve-up of

Bosnia, the opposition is charging that Serbian leaders have used the sanctions to fatten their own foreign bank accounts.

Pitching for the moral high ground with slogans such as "postono", Serbo-Croat for honesty, the opposition has run a seasoned campaign.

They have criticised Mr Milosevic for giving criminals free rein over Serbia, by way of reference to Mafia boss, Mr Zeljko Raznatovic, alias Arkan, the paramilitary leader who has formed a satellite party of the Socialists in a bid for the extremist vote.

In the hope of deflecting the Socialists' usual charges of treachery, they have also played the nationalist card. "Sarajevo, Mostar, Ban Kovac, Pakrac, that is Serbia," pledged a charismatic Mr Draskovic, referring to cities in Bosnia and Croatia.

But they have been able to do little to counter the Socialists' iron grip of the media.

Nor may they be in a position to counter the Socialists' penchant for electoral manipulation and fraud: the virtually unknown party of the Associated Left, led by the wife of Mr Milosevic, has been

accused of being a possible funnel for stolen votes.

And, even if the opinion polls are borne out and the Socialists lose their majority, Mr Milosevic seems unlikely to bow to the results.

He may allow the opposition a few months in which to cope with the economic deluge, before calling new elections, or, if really pressed, he could declare a state of emergency and cement his grip on all institutions in Serbia.

Whatever the result, the election is unlikely to have furthered the cause of democracy in Serbia.

## Italian Socialist party splits

By Robert Graham in Rome

Italy's 100-year-old Socialist party has split, with the majority opting to form a new movement with a different name and symbol.

The majority 58 per cent has backed the leadership of former trades unionist Mr Ottaviano Del Turco, who took over the running of the party in May. He has now been given full powers to call a special meeting on January 15 to establish the new movement.

The minority is made up of faithful supporters of Mr Bettino Craxi, the former party leader who was obliged to step down in February as a result of his involvement in the corruption scandals.

The split followed a stormy meeting held throughout Thursday in a Rome hotel, during which Mr Craxi and Mr Del Turco traded insults. It marks the end of more than three decades in which the Socialists have played a central role in Italian politics; and it is the first time since 1976 that Mr Craxi, once the party's all-powerful boss, has found himself in a minority.

The break-up of the party has been expected for some time in the wake of the discredit caused by the corruption scandals and the divisions arising from the arrogant behaviour of Mr Craxi. Although the party won



Craxi quit after involvement in corruption scandals

almost 14 per cent of the vote in the 1993 general elections, at the latest local elections it mustered less than 2 per cent. The Del Turco-led majority is now likely to seek an alliance on the left.

To underline the impact of the corruption scandals on the party's demise, Mr Craxi yesterday appeared in court to give evidence in the trial of Mr Sergio Cusani, who acted as an intermediary for the Socialists in the business world.

He admitted that the entire system had been riddled with corruption and that his and other parties had taken illicit contributions.

However, he refused to give any details of his personal involvement or to admit he had taken any money for his own use, as he has been accused of doing.

## Yeltsin in bid to appease opponents

By Leyla Boulton in Moscow

Russian President Boris Yeltsin yesterday displayed signs that he plans to opt for compromise with conservatives following the electoral setback for reformists at the hands of ultra-nationalists and communists.

In a gesture to the state-owned industry and agriculture lobby, he signed a decree re-introducing subsidised loans for producers of agricultural machinery, which, along with such lending at rates well below inflation, were supposed to have been phased out earlier this year.

In an attempt to pre-empt the crackdown on law and order which will almost certainly be demanded by the new parliament, he issued a decree promising tough new border controls, including the checking of identification papers and of asylum requests.

Close aides to Mr Yeltsin have already advised him to try to beat Mr Vladimir Zhirinovskiy, the neo-fascist who wants to be Russia's next president, at his own game, for instance by taking the lead on law and order.

On foreign policy, Mr Andrei Kozyrev, the foreign minister,



Yeltsin: re-introduced subsidised loans for farm machinery

has said that Baltic republics should help Moscow improve the lot of Russians on their territory to counter support for extremist politicians such as Mr Zhirinovskiy, who has promised to defend Russians everywhere.

In an attempt to appear to be dealing with hidden unemployment which has not yet translated into open job losses, Mr Yeltsin also restricted Russian companies' ability to hire labour from former Soviet republics and further afield.

Saying that Russians should have priority access to vacant jobs, the decree said companies must pay the equivalent of the minimum monthly wage for work permits.

Employees without work per-

mits are to be deported. At the same time, there were some small gifts yesterday for the reformist camp, which is still waiting for the president to express his support for radical reform.

Mr Yeltsin issued a decree saying that the central bank had to obtain the consent of the finance ministry to license banks to conduct operations involving gold.

The ministry is headed by Mr Boris Fyodorov, the radical who wants to unseat the central bank chief.

Also, no doubt with the support of Mr Yeltsin, the government yesterday approved a programme to continue privatisation in 1994, although details were not available.

## European plan to cut ethylene capacity fails

By Paul Abrahams

Efforts to restructure Europe's petrochemicals industry were in disarray last night after plans to close as much as 2m tonnes of ethylene capacity collapsed.

The sector is plagued by massive overcapacity of ethylene, the basic building block of plastics, and is losing hundreds of millions of dollars a month.

The plan had involved creating a DM550m (£216m) fund based on a levy of DM30 per tonne of installed ethylene capacity.

Groups wanting to close plants would then have to bid for part of the fund in return for shutting down capacity. The Association of the Petrochemical Producers in Europe said the plan had collapsed because not enough capacity had been put forward for closure and some of its 31 members were not prepared to put money into the fund.

It said a substantial majority were in favour, but unanimity could not be reached.

Mr Jean-Marie Devos, secretary general of Cefic, the European chemical industry's trade association, said: "We would have gone ahead in spite of some companies refusing if there had been bids to shut

substantial amounts of capacity."

An APPE survey asked ethylene producers how much they wanted to close permanently through the fund.

"The survey indicated we couldn't reach even the minimum threshold," said Mr Devos. This is thought to have been 1.5m tonnes.

Operations that may have been available for closure include BP Chemicals' plant at Baglan Bay, BASF's 180,000-tonne-a-year plant at Ludwigshafen, a complex at Luena in eastern Germany, and two Enichem plants at Gela and Porto Torres.

The APPE said that it would be continuing to develop other proposals to restructure the industry, which employs 600,000 people directly.

BP Chemicals, the driving force behind the plan, said it was surprised and disappointed by the decision not to proceed with restructuring.

"We regret a major opportunity to restore structural competitiveness to the European petrochemical industry has not been seized at this stage."

The company added that producers should take individual measures and that it was launching a detailed review of its own operations.

## French education finance row flares

By David Buchanan in Paris

The first open row between Socialist President Francois Mitterrand and the conservative Balladur government erupted yesterday over the latter's move to scrap a 142-year-old restriction on public financing of private schools.

On a visit to south-west France, Mr Mitterrand told a delegation of teachers and parents from the state school system that he was "surprised and shocked" at the "precipitation" of the

government in getting the Senate, at 5am on Wednesday, to change an 1850 law on school finance.

The new bill would scrap the limitation on private, mainly Catholic, schools which up to now have only been able to draw 10 per cent of their funding from local public authorities.

The government claimed it had to act quickly on recent reports that half the country's private schools were unsafe and needed money for urgent repairs. Left-wing political parties and the

teachers' unions have objected that the move will drain money from the state school system. The Socialist and Communist parties have said they will appeal to the country's constitutional court, and the president indicated yesterday he would await that judgment before considering whether to throw the school finance law back to parliament for further debate, as he can under the constitution.

Many French schools were empty yesterday, as half the country's teach-

ers walked out and several thousand demonstrated in Paris. Another day of protest has been set for January 18, and Mr Michel Rocard, the Socialist party leader, called for supporters of state education to turn out then in the same massive numbers as private school backers had done in 1984 in protest at Socialist education policy.

The 77-year-old president said that in his 35 years of parliamentary experience he had never seen a similarly "rushed" piece of legislation.

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# Islamic party sets terms for Algeria talks

By Francis Gholson

The banned Algerian Islamic Salvation Front (FIS) yesterday set out its conditions for opening talks with the government in an attempt to end the civil conflict which has cost more than 3,000 lives in two years.

The offer, which could open the way to direct negotiations, came a week after General Mohamed Touati, one of the country's most respected military leaders, said on state television that the government would consider "talking to leaders of the FIS who show respect for the law of the land".

The FIS was banned after appearing to be on the verge of winning parliamentary elections in January 1992.

Mr Rabah Khebir, the FIS spokesman who took refuge in Germany last year, said at a press conference in Bonn that his party insisted on five conditions being met before it would agree to talk to the government.

These were: the freeing of all political prisoners; the repeal of laws passed under emergency rule; the establishment of a "free and independent" committee to include the main political, religious and judicial forces in Algeria; the bringing to trial of those "responsible for recent bloody and murderous acts"; and any talks would have to take place in a neutral country to be chosen by both sides, he said.

Mr Khebir condemned the murder of 12 Croats on Tuesday near Algiers and said that the FIS "was not behind such calls for murder". He added:

"The Algerian people and the FIS have nothing against foreigners who are welcome in Algeria if they want to co-operate with the people." He also warned that a lot of what was happening in Algeria was outside the control of FIS and could lead to revolution.

Responsibility for the 23 murders of foreigners over the past three months has been claimed by two other radical Islamic factions, the Groupe Islamique Arme and the Takfir wal-Hijra.

General Touati, whose televised statement may have provoked the FIS offer, is a member of the eight-man National Committee for Dialogue, an organisation set up in the autumn with the aim of bringing all parties to the negotiating table.

Secret contacts have recently taken place between members of the committee and FIS representatives. But General Touati's offer was the first acknowledgement by a senior military commander that the outlawed FIS represents a political constituency which cannot be ignored.

Other parties, such as the moderate Islamic Hamas, the lay Front des Forces Socialistes and the former ruling Front de Liberation National party, have been urging the military to extend a hand to FIS. They argue that it is the only way for Algeria to avoid a slide into civil war.

Armed police yesterday rounded up dozens of men after mass Muslim prayers at two Algiers mosques frequented by fundamentalists, witnesses said.

## Dawkins' announcement greeted with surprise in political and financial circles



BOWING OUT: Paul Keating addresses parliament yesterday after the announcement by John Dawkins (left) stunned MPs

# Australia's treasurer quits unexpectedly

By Nikkai Tait in Sydney

Mr John Dawkins, the Australian treasurer, yesterday astonished both the political world and financial markets by saying he was resigning.

Mr Dawkins' announcement in the House of Representatives at the close of the year's parliamentary sittings had not been foreshadowed by any immediate controversy. Only hours beforehand, he had been detailing next year's budget process to parliament.

The treasurer's position had appeared shaky during the late summer, when the Keating government's budget was stalled for two months in the senate by minor parties who hold the balance of power there. But Mr Dawkins - once one of the closest political associates of Mr Paul Keating, the prime minister - weathered this storm, and recently won support from both the cabinet and the minor parties for a revised budget process.

By bringing the budget date forward to May, and seeking to have bills passed by end-June, the government hoped to avoid similar deadlocks in the future.

The 48-year-old treasurer said yesterday he was resigning at a time of his own choosing. "It's a time which I think... is the right time for me... to pursue other interests - what I don't know."

Mr Dawkins added that he had informed Mr Keating of his desire to move to the back benches "as a step to leaving parliament at some time between now and the next election". He holds the Fremantle seat in Western Australia.

The prime minister's office said the successor would not be announced until next year, and Mr Dawkins would continue as treasurer until then. Mr Keating, addressing parliament shortly after Mr Dawkins' announcement, added: "I will miss him and I will miss him very much from cabinet."

Mr Dawkins has been in parliament for 20 years and was one of Mr Keating's staunchest supporters during the Labor party leadership battle in 1991. However, the relationship

between the two men is thought to have been affected by Mr Dawkins' poor handling of the summer's budget crisis. At the height of those troubles, Mr Dawkins incautiously remarked: "Whenever it becomes necessary for me to leave Fremantle [where his family lives], get on a plane and come to Canberra, the prospect of political retirement does well in my mind." This led to a frenzy of resignation gossip, although the possibility was denied at the time.

Nevertheless, suspicions that Mr Dawkins lacked the inclination and political addressness to deal with the difficult senate lingered. It was noted then, for example, that he had bought land in South Australia, possibly with a view to establishing a winery, and that he and his wife were expecting their first child, who was subsequently born in late October.

Mr Dawkins, who holds an economics degree from the University of Western Australia and was trade minister during the mid-1980s, has been a fervent believer in Australia's need to develop a more export-oriented economy. He has come under fire recently from unions and the Labor party caucus for putting more emphasis on the budget deficit than on social issues such as unemployment.

Yesterday, news of his resignation sent the Australian dollar down from about US\$0.6745 ahead of the announcement to about US\$0.67, although some dealers suggested that this was a knee-jerk reaction, and that the currency could stabilise if investors concluded that the reasons for Mr Dawkins' departure were largely personal.

Speculation over Mr Dawkins' replacement began immediately. Front-runners include Mr Ralph Willis, the finance minister who held the treasurer's job briefly under Mr Bob Hawke's administration; Mr George Gear, the assistant treasurer; Mr Bob McMullan, the arts and administrative services minister; and Mr Laurie Brereton, who is industrial relations minister and a close colleague of Mr Keating.

## Toshiba penalised for breach of Cocom rules

By Robert Thomson in Tokyo

Toshiba, the Japanese electronics company, has been barred by the Japanese government from exporting semiconductors to 27 present and former communist nations for one month after admitting that it violated the regulations of the Co-ordinating Committee for Multilateral Export Controls.

The case arose after documents from the former East Germany were uncovered by the Japanese media, forcing the Ministry of International Trade and Industry to investigate Toshiba's alleged exports of leading-edge semiconductor equipment from December 1986 to February 1987.

Miti officials said Toshiba exported masks and 150 silicon wafers to East Germany, as well as providing documents detailing the production of advanced memory chips. The case is embarrassing for the Japanese government, which claimed that it maintained tight controls over exports of strategic technologies.

However, Miti's punishment is relatively lenient, as the 27 countries include Mongolia, Vietnam and North Korea, none of which is a leading importer of Japanese semiconductor products. China is the only significant market temporarily closed to Toshiba.

Miti officials also reprimanded Mitsui, the trading

house, which was involved in collecting payments for the deal. As is customary in such cases, Mitsui said its employees had acted without authorisation, and that two officials had been reprimanded.

The Japanese government has imposed penalties in 10 cases of Cocom violations, and Miti said the export ban imposed on Toshiba was thought appropriate because the statute of limitations had expired for a criminal action against the company. Toshiba estimates that its semiconductor exports to the 27 countries in an average month total ¥1.6bn (£10m). Total exports of chips this year will be around ¥280bn.

## Bentsen seeks to fend off rate rise

By Michael Prowse in Washington

Mr Lloyd Bentsen, the US treasury secretary, yesterday said there was no need for the Federal Reserve to raise interest rates because inflationary pressures were under control.

He spoke as figures from the Commerce Department confirmed a strong recovery in US house building.

Housing starts rose 3.9 per cent in November to a seasonally adjusted annual rate of 1.43m, the highest level in nearly four years.

Building permits - a guide to future construction trends - also rose sharply last month, suggesting the housing market will remain buoyant.

The figures for starts are the latest in a series of robust economic statistics pointing to an acceleration of economic growth to an annual rate of about 4.5 per cent this quarter.

The faster growth has prompted calls for tighter monetary policy to prevent inflation creeping higher next year.

Mr Bentsen said slack labour markets and excess industrial capacity had created a favourable inflation outlook. Earlier this week President Bill Clinton told the Fed it would be a "mistake" to raise rates.

Many economists believe the pace of economic growth will decline to about 3 per cent early next year because consumer spending has run ahead of personal incomes.

## Senegal in 'debt for children' swap

By Leslie Crawford

A Dutch aid organisation has bought \$24m of Senegalese foreign debt and converted it into projects for women and children in the west African nation.

The Netherlands Unicef Committee cancelled Senegal's entire bilateral debt with Argentina in a buy-back operation managed by International Nederlanden Bank NV (ING Bank).

In return, the government of Senegal has agreed to invest \$11m (£7.3m) in Unicef projects ranging from child

immunisation programmes to the education of street children in Dakar.

The debt-for-children swap was first proposed by President Abdou Diouf of Senegal in 1990.

Since then, debt conversions have benefited children in Madagascar, Jamaica and the Philippines.

"The debt conversion has reduced Senegal's overall debt burden while releasing extra resources for the country's women and children," said Mr Samir Sobhi at Unicef's office in Dakar.

### NEWS IN BRIEF

## GM to pay back pick-up owners

A federal judge in Philadelphia has approved a legal settlement involving six million pick-ups made by General Motors between 1973 and 1987, AP-DJ reports from Detroit. The settlement requires GM to give \$1,000 coupons to owners of GM pick-ups with side-mounted fuel tanks. The coupons can only be used to buy GM trucks, most of which have profit margins greater than \$1,000. Analysts say the settlement will increase GM's profits.

Safety critics intend to appeal against the settlement, which covers 49 states. In Texas, a separate settlement was reached.

The settlements in Texas and in Philadelphia end more than 20 separate suits seeking compensation for owners of GM pick-ups with side-mounted tanks. The federal government says the pick-ups are more likely than comparable vehicles to erupt in flames when hit from the side.

## Banks agree Brazilian debt plan

Banks holding 96 per cent of Brazil's \$22bn debt have agreed to a debt restructuring plan, reaching the 95 per cent critical mass at which the deal can go ahead, Mr William Rhodes, vice-chairman of Citibank, said, George Graham reports from Washington.

Brazil still needs the approval of the International Monetary Fund for its economic restructuring programme, but Mr Rhodes said he believed this could be achieved in the next 90 days, allowing the debt restructuring plan to go into effect on April 15.

## US tries again on Haiti

A military delegation will next week make another attempt to persuade Haiti's army and police leaders to accept the return of a United Nations mission paving the way for a return to democracy, writes George Graham. The delegation is being sent by the US, France, Canada and Venezuela, the "four friends" who have taken the lead in the international community's response to the Haitian crisis.

Although Clinton administration officials yesterday firmly denied newspaper reports that the US was on the point of abandoning efforts to restore ousted President Jean-Bertrand Aristide to office, they acknowledge that, after the collapse of acting prime minister Robert Malval's attempt to call a new political conference, they have few ideas on how to speed the process, other than waiting for the oil embargo against Haiti to bite.

## Argentine forces quell riot city

Argentine government security forces yesterday retook control of the north-western city of Santiago del Estero, where rioters on Thursday burned down public buildings, ransacked the homes of local politicians and looted shops, writes John Barham in Buenos Aires.

In the worst rioting Argentina has seen since hyperinflation gripped the country in 1989, about 5,000 public employees took to the streets in protest at unpaid wages and plans to eliminate government jobs.

Officials said six were killed, 120 treated in hospital and 170 arrested.

President Carlos Menem returned yesterday to Buenos Aires, cutting short a visit to the Vatican. Congress voted to dissolve the provincial government and authorised the federal government to appoint an administrator to run the province for five months. The government sent the province \$60m to pay wages.

Like nearly all Argentina's 23 provinces, Santiago del Estero's public sector is the largest employer and relies heavily on federal transfers for its spending.

## Tokyo comes to the aid of over-the-hill 40-year-olds

By Robert Thomson

The Japanese government plans to increase substantially its wage subsidies for middle-aged employees, who are the target of most companies' attempts to reduce costs by cutting jobs.

Labour Ministry officials hope to safeguard as many as 1m jobs under the scheme, under which the government will provide subsidies for the wages of employees transferred to lower-paid positions and provide incentives for companies willing to take on workers 45 years or older.

Japanese companies traditionally transfer older employees to affiliates or subsidiaries during an economic downturn, but cases are on the rise of group companies refusing to accept these employees, claiming that they, too, need to reduce labour costs.

The trend is a challenge to the traditional system of lifetime employment among leading companies, and the government fears that an increase in the unemployment rate, now 2.7 per cent, would further undermine consumer confidence, which is already shaky.

To support the labour market, the ministry is expected to spend ¥326bn (£2.05bn) or three times the amount spent during the downturn in the mid-1980s.

The final figure will however be decided by the Finance Ministry during negotiations for the budget for the year beginning in April.

The government will subsidise a quarter of the wages of older workers at larger companies and a third of the wages at smaller companies, and lower the age limit for the subsidies from 55 years to 45 years.

## Palestinian peace negotiations falter again

By David Horowitz in Jerusalem and David Buchan in Paris

The planned meeting in Cairo next week between Israel's prime minister, Mr Yitzhak Rabin, and the Palestine Liberation Organisation chairman, Mr Yasser Arafat, intended to resuscitate the deadlocked Israeli-PLO negotiations, is almost certain to be postponed to January 6 or later, Israeli officials said yesterday.

The Cairo meeting, tentatively scheduled for December 22 or 23, was agreed on by the two leaders as a last resort after talks last Sunday failed to resolve differences holding up the start of Palestinian self-rule in the Gaza Strip and the Jericho area of the West Bank.

Originally, Israeli troops

were to begin pulling out of the Gaza and Jericho areas last Monday. And although both Mr Arafat and Mr Rabin said after their abortive meeting that a delay of 10 days in finalising the precise details of an Israeli-PLO autonomy agreement would not be too damaging, another delay could only weaken the diminishing support on both sides for the peace process.

In the past 24 hours, several Israeli officials involved in the negotiations have given off-the-record briefings indicating that central issues still remain to be resolved, and that the start of the troop withdrawal may have to be put off for several weeks.

One senior military figure, quoted in the Ha'aretz newspaper yesterday, said there was no chance of wrapping up the final autonomy deal within 10

days or even 20. And the longer the signing was put off, he added, the harder it would be for Israel to honour the next scheduled autonomy deadline - completing the military pull-out by April 13.

Israeli and PLO officials are continuing to hold private contacts in an effort to agree the size of the Jericho autonomous area, and to resolve the issue of border controls. Mr Arafat has been insisting that the crossing points from Gaza into Egypt, and from the Jericho region into Jordan be managed exclusively by Palestinians. Mr Rabin rejects this as prejudicial to Israeli security.

Meanwhile, an opinion poll published yesterday by the Centre for Palestinian Research showed a marked decline in support for the autonomy programme among

Palestinians, with 41.5 per cent backing the accord, compared to 64.9 per cent three months ago. A survey among Israelis, published by the Ma'ariv daily, showed 64 per cent believe a final autonomy deal will eventually be reached.

Foreign governments have pledged \$570m in aid to the Palestinians next year, but insisted that any use of this to meet start-up costs of the fledgling Palestinian administration must be properly monitored.

The World Bank said yesterday. At the first meeting in Paris of the World Bank's consultative group for the West Bank and Gaza Strip, Mr Abu Ala (Ahmed Qurei) pressed donors to allow some of their aid to be used to fund current costs of the Palestine Economic Council for Reconstruction and Development, which he chairs,

and other new Palestinian institutions, as well as capital investment in aid projects.

The World Bank backed his argument, with its vice president for the Middle East, Mr Carlo Hoch-Weser, asking donors to be "flexible" in the difficult start-up phase of Palestinian self-government. He said: "We are assuming that all tax receipts, direct and indirect, in the territories will be transferred to the Palestinians." But initially the latter might have difficulty without foreign aid in covering salary costs.

Mr Abu Ala said it was as much in the Palestinian self-interest as in the interest of foreign donors that there should be "transparency" in the spending of international aid. However, he seemed to define recurrent costs more broadly

than the Bank and donors to include "social costs, such as the rehabilitation of prisoners."

The European Union, which together with national donations from its 12 states is the biggest contributor to the \$2bn (£1.3bn) fund for the Palestinians, had promised to meet some administrative running costs, Mr Hoch-Weser said. He was confident that other donors would do the same. International auditors would be brought in to monitor the aid.

Mr Abu Ala, who earlier held talks with Mr Shimon Peres, the Israeli foreign minister, in Paris, acknowledged that the delay in reaching full agreement on implementing the September peace accord would have a "real impact" on economic development plans.

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# Nissan offered deal in sports stadium row

By Chris Tighe

Sunderland Football Club has challenged Nissan to drop opposition to its plans for a £70m sports, entertainment and conference centre on land near the company's £900m car plant.

In a sharply worded letter to Mr Ian Gibson, managing director of Nissan Motor Manufacturing (UK), Sunderland AFC offers Nissan:

- A seat on the club board.
- The opportunity to buy a "substantial" shareholding in the club.
- The chance to become co-promoter of the leisure complex.
- All additional roads "reasonably" required by the company to be incorporated into the scheme at no cost.
- Moving the site for the leisure development slightly to the west - on condition Nissan

makes a public commitment to expand on to the site previously earmarked by the club within a guaranteed period, buys the 120-acre site freehold and makes up any funding shortfall arising from the scheme's move.

The football club board also offers "to visit Japan" to achieve a satisfactory conclusion.

Nissan is opposing the plan because it fears traffic congestion from the 40,000-seat stadium, 12,000-seat indoor arena and 11,000-space car park would jeopardise just-in-time component deliveries to its plant, wrecking production schedules.

It has also argued that the choice of site would block its expansion prospects.

The club's letter claims to reconfirm its "aim of accommodation and compromise" and insists it never wanted confrontation. But it also warns: "Unless Nissan feel they can single-handedly drive the regeneration of the region by themselves, they must accommodate the ambitions and aspirations of others within the north-east who wish to drive the region forward on both a national and European basis."

The club says it has received many letters from people who fail to understand Nissan's objections. "People consider

that your actions have put at risk the enormous number of permanent new jobs, linked to the vast investment the Regional Centre would bring to the north-east," the club says. It also questions why, if Nissan might need the land, it has not bought it.

Yesterday the company, which employs more than 4,000 people at Sunderland, reacted trenchantly to the letter. "It adds nothing to what we

already know," it said. "Nissan has no interest in branching out into the leisure industry, we are motor manufacturers."

It described the conditions attached to the proposed move of site as "a nonsense".

The club, which has declined to name its backers for the complex, is heading for a £1m loss this year. Its planning application will be considered by Sunderland City Council in the new year.

## Swan Hunter set for subsidy

Swan Hunter, the Tyne-side shipbuilder in receipt of a £1m subsidy from the Intervention Fund, is looking to become eligible for a buyer, Chris Tighe writes.

A meeting in Brussels yesterday of European Union heads of cabinet - senior civil servants - agreed to recommend to next Tuesday's meeting of the EU's 17 commissioners that the Tyne-side yard should become eligible for the 9 per cent merchant order subsidy, which would be paid by the UK government.

It is thought to be unlikely that the commissioners would overturn a recommendation by their senior aides.

The news was welcomed by Mr Ed James, managing director of Swan Hunter. "It's not a guarantee of a buyer but it clearly enhances the prospect for the yard to win new work," he said.

## Bankers to visit south-east Asia

Mr Kenneth Clarke, the chancellor, is to lead a party of top UK bankers to south-east Asia later this month to try to help the financial services industry expand its presence in the region.

The tour of about two weeks will start the week after Christmas and take in Hong Kong, the Philippines and Indonesia.

## Major rejected appeal on BCCI

Mr John Major has turned down a direct appeal from a Labour MP to intervene in bringing about a settlement for creditors of Bank of Credit and Commerce International, saying it is for the collapsed bank's liquidators to decide how best to proceed.

In a letter to Mr Keith Vaz, Labour MP for Leicester East, dated November 23 and released by Mr Vaz yesterday, the prime minister recognises that an October decision by the Luxembourg courts is likely to lead to "a considerable delay".

## Planning fee law to be changed

The government announced yesterday it intends to legislate to allow local authorities to set their own fees for planning applications. Fees will increase by 15 per cent from January 13 and a further 15 per cent from January 1995.

Planning minister Mr David Curry said the increases "represent another important step towards applicants meeting the full costs incurred by local planning authorities in determining planning applications".

## National Savings contribution up

National Savings contributed £443m to government funding in November, up slightly from £435m in October. There were gross sales of £1,050m, repayments of £801m and accrued interest of £182m.

## Savings rates are reduced by Woolwich

By Alison Smith

Woolwich Building Society, the UK's third-largest, yesterday became the latest society to reduce its savings rates. From tomorrow most of the 4m people who save with the Woolwich will find that the interest rate they receive is cut by 0.41 percentage points.

With few exceptions the largest lenders have now set out their stalls for both mortgage and savings rates in the wake of the pre-Budget 0.5 percentage point cut in base interest rates.

It has given them the opportunity - taken by almost all - to widen their margins by passing on to borrowers a lower rate cut than the reduction in savings rates.

All will also gain a short-term benefit from the time lag - usually two to four weeks - between the new, lower rates applying to investors and those applying to existing borrowers.

Hullfax building society, the UK's largest, cut its base mortgage rate by 0.35 percentage points for existing borrowers from the turn of the year, and its saving rate by 0.5 percentage points for most savers from last Wednesday.

That gap of about 0.15 percentage points is reflected in the changes made by other societies, although Nationwide, the second largest, had a wider spread, cutting its mortgage rate by 0.35 percentage points and its rates for most savers by 0.5 percentage points.

This chance to widen margins is far smaller than the

opportunity presented by the sharper interest-rate cuts last autumn, after sterling's departure from the European exchange rate mechanism.

But the building societies are still likely to face accusations that they are not treating their members fairly.

Mr John Wrigglesworth, housing analyst at UBS, said that building societies needed to widen their margins to make up for the fact that the returns they were achieving on their free reserves was also declining as interest rates fell.

He said: "They're running as hard as they can to stand still."

The pressure to reduce margins over next year will come not from MPs or ministers but from competition.

Societies have been squeezed both on lending and borrowing. They have lost the market share of mortgages to banks, and face an intensifying struggle to retain their personal savers.

Although sounding reasonably relaxed about the cuts in National Savings rates announced on Thursday, the sector is keenly awaiting the details of the new guaranteed income bond for pensioners, which was announced in the Budget.

Some in the sector already foresee a more general threat to societies' retail deposit base in the prospect that, if interest rates remain low, large numbers of savers might decide that they are prepared to face some risk for a higher reward than savings accounts can offer.

## Lilley steps over the banana skins

James Blitz assesses the developing political skills of the social security secretary

For once Mr Peter Lilley can say that he has had a good week.

In recent months the secretary of state for social security, one of the most Thatcherite members of the cabinet, must have felt that he was the butt of more criticism than any other minister.

His ambitions to target social security benefits on those who most need them have drawn intense fire from Labour's front benches.

Even some cabinet ministers have hinted that his plans are far too draconian.

Yet this week he introduced two bills central to his objective to contain the growth of the £80bn social security budget. The two measures - raising employees' National Insurance contributions by 1 per cent and cutting the statutory sick-pay subsidy to employers - were countered by the Labour whip, who ended their "pairing" arrangements with Tory MPs in protest at the speed with which the measures were being pushed through.

Yet both went through without a hitch.

Sitting in his Whitehall office this week Mr Lilley looked like a man preparing for another march forward in the new year.

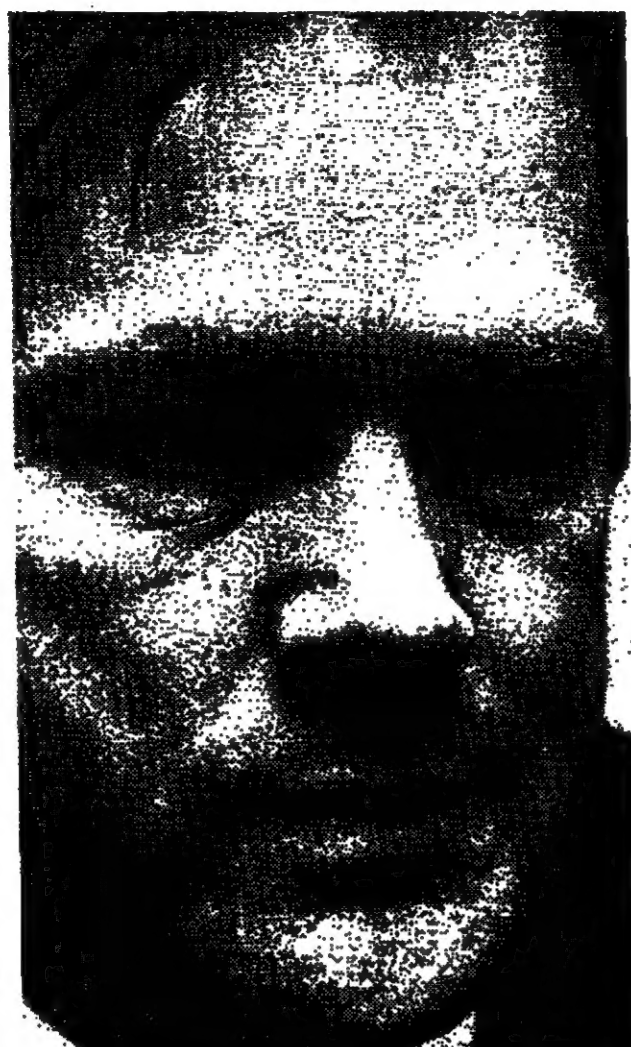
He said in his quiet, slightly intense voice: "Any one of the measures that we have recently announced would have been a major item at any time."

"We seem to have done much better than we could have expected in getting support for them."

Tory backbenchers say the bills have had a smooth passage because Mr Lilley understood an important lesson of politics. He leaked his plans on withdrawing the statutory sick-pay subsidy before they were announced in the Budget.

But the going will get tougher from now on. In the spring Mr Lilley will introduce a bill to tighten up the rules for applicants for invalidity benefit, introducing an objective test that would replace the informal examination now made by GPs.

He says the measure will be controversial. Some Tory backbenchers go further, fearing the legislation will do the unthinkable by taking benefits



Peter Lilley: aware of the dangers in social security changes

### Reforming the welfare state

Peter Lilley's main proposals so far:

#### Invalidity benefit

Incapacity benefit to be introduced next year, using an objective medical test. Impact: About 200,000 will lose entitlement in first three years of scheme.

#### Unemployment benefit

"Jobseekers" allowance to be introduced in 1995-96 session accompanied by a cut in entitlement from a year to six months. Impact: Ministry estimates that 250,000 people will find it any one time that they would have been better off under the old unemployment benefit scheme.

#### Abolition of statutory sick pay subsidy

Big employers to pay full cost of subsidising sick employees, having had four-fifths of costs met until now. Impact: Ministers say impact on industry will be lightened by cuts in employers' National Insurance contributions.

#### Equalisation of retirement age

Both sexes will claim state pension at 65. Impact: Measures will start to take effect after 2010.

away from people who already have them.

He must also tackle problems with the Child Support Agency, which has been attacked for zealously forcing separated fathers to pay main-

## BA plans £150m Heathrow cargo expansion

By Paul Betts, Aerospace Correspondent

British Airways plans to invest £150m expanding its cargo facilities at London's Heathrow airport in a joint development with BAA, the site operator.

Yesterday BA said the project will be the airline's largest single investment in an airport construction venture and will more than double its cargo handling capacity at Heathrow by the year 2000.

The BA and BAA boards have approved the project in principle. Final approval is expected by the end of next year. The scheme will involve

Failure to build a fifth terminal at London Heathrow would cost 14,000 jobs, BAA, which operates the airport, said yesterday, Daniel Green writes.

A decision to proceed with the £900m terminal would create 6,000 jobs and protect

three phases which, when completed, will increase BA's Heathrow cargo handling capacity from 451,000 tonnes a year to around 1m tonnes a year in 2000.

Details of the development and funding of the new cargo terminal are still being worked

8,000 others, the company said in a lobbying document it submitted to the government.

A public inquiry is expected to begin in 1995. If planning permission were granted in 1997, the first stage of the terminal would open in the year 2002 and work would be finished by 2013, BAA said.

The new terminal will be a third of a mile long with a floor area of 600,000 sq ft compared with the current floor space of about 425,000 sq ft.

The new centre will replace the old facilities built for BA's forerunners, BEA and BOAC. Construction of the first phase

is expected to start by the end of 1994 and should be completed by late 1996. The second and final phases are expected to be ready in 1998 and 2000.

Mr Kevin Hutton, managing director of BA's world cargo division, said the airline intended "to take advantage of the latest, proven technology to achieve maximum automation of handling functions".

BA said the old terminal operation was mainly manual and its facilities for handling premium products needed improvement. Mr Hutton added that there would be a special unit to handle premium products in the new cargo terminal.

## Loyalists prepared to match IRA ceasefire

By Jimmy Burns in Belfast

Loyalist paramilitaries are prepared to match an IRA ceasefire with one of their own, but are holding back from taking the first step.

Yesterday, in its first public response to the UK-Irish joint declaration, the Combined Loyalist Military Command, which represents the Ulster Freedom Fighters and Ulster Volunteer Force, said that "in the absence of any response from the Provisional IRA, it would pursue its 'stated policy' in retaliation to IRA violence".

Loyalist paramilitaries have carried out indiscriminate murders of Catholics in recent weeks, but security sources believe both the UVF and the UVF will scale down their operations before Christmas. "They are waiting to see what the IRA does next. This is a holding statement," one security source said yesterday.

While adopting an essentially reactive posture in military terms, yesterday's statement made clear that the loyalist paramilitaries also want to be seen as playing a part in setting the agenda.

They are calling for the creation of a forum in Northern Ireland to bring together loyal-

ist paramilitary leaders and unionist party officials, to protect unionist interests and act as a potential channel for demilitarising the province.

The idea mirrors the Irish government's proposed forum for nationalists.

Mr Jim Rodgers, a Belfast Ulster Unionist party councillor, said yesterday that loyalist paramilitaries were angered by what they saw as the emphasis on bringing the IRA into the political process. "It is one-sided, as if the violence of the IRA justified it," Mr Rodgers said.

Republican sources yesterday again lowered expectations that the IRA would move quickly to declare a permanent cessation of violence, as the joint declaration demands.

The sources said the 25-person national executive of Sinn Féin, the IRA's political wing, may reach a "considered position" on the joint declaration by early next week, following extended consultations with regional and branch offices.

But both Mr Gerry Adams, the party's president, and his deputy Mr Martin McGuinness want to ensure that Sinn Féin's response has the backing of the IRA to avoid a damaging and potentially bloody

split in the republican movement.

"We have got to get our response right even if it takes much longer than people expect or else we are all going to be in trouble," a senior republican source said yesterday.

The IRA's executive Army Council - which includes Sinn Féin officials and representatives of both sides of the border - is empowered by the organisation's constitution to declare "war or peace".

But the consultation in the next few days will be extended to the IRA's Army Convention, which comprises active service men and women from each of the IRA's brigade areas.

It is widely accepted within the republican movement that any cessation of violence must be endorsed by the convention if it is to be successfully delivered.

The IRA disputes the portrayal of the loyalist paramilitaries as reactive, and is reluctant to abandon its operations unless the loyalists first declare a ceasefire.

Security sources believe this unwillingness by each side to make the first move could undermine the peace process.

## Dublin 'forum' to speed Sinn Féin involvement

By Tim Coome in Dublin

The Irish government's proposal to establish a "peace forum" - referred to in this week's joint UK-Irish declaration - is aimed at bringing Sinn Féin rapidly into a formal negotiating process after the IRA has announced the ending of violence.

Senior cabinet ministers say Sinn Féin could be brought into the Irish forum "very quickly" after an announcement from the IRA that it was ready to make it an Irish initiative, rather than a joint initiative with Britain.

Mr Reynolds said the forum would be modelled on the New Ireland Forum, set up in 1983 on the initiative of Mr John Hume, the leader of the nationalist Social Democratic and Labour party in Northern Ireland, in which all the main parties in the Republic and the SDLP participated, but which the unionist parties in the north boycotted.

Mr Reynolds said the new forum would be open to democratically mandated parties to provide a means to debate and devise appropriate alternative political strategies to violence.

Apparently acknowledging that unionist parties will not initially wish to be involved, he said the debate would take place "among all strands of nationalism and hopefully a wider range of opinion, (and) in the aftermath of a permanent cessation of violence, could be a very healthy exercise in advance of resumed talks between all political parties, unionist and nationalist".

Dublin sees the forum as providing a "bridge" to exploratory Sinn Féin talks with London and to subsequent wider talks involving all parties in Northern Ireland and the Republic. Dublin believes the move is necessary if Sinn Féin and the IRA are to accept the peace initiative.

Issues of concern to Sinn Féin and the IRA, such as the future of IRA prisoners and the "dumping" of arms, would be dealt with in these initial talks.

Mr John Bruton, leader of the opposition Fine Gael party, expressed reservations. "A forum that does not contain representatives of both traditions cannot achieve the stated objective in the joint declaration to promote reconciliation. There is a risk that some form of institutionalisation of division may be established."

The Irish parliament later backed the joint declaration without a vote at the end of a day-long debate in the Dail.

Winding up the Dail debate, Mr Dick Spring, the deputy premier and foreign minister, said he would brief fellow members of the EC's General Affairs Council in Brussels on Monday.

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## NEWS: UK

## Howard unveils legislative 'attack' on crime

By Robert Rice,  
Legal Correspondent

Tough measures giving courts the power to lock up children as young as 10, detain persistent juvenile criminals in secure training centres and end suspects' so-called right to silence were unveiled yesterday.

Publishing the Criminal Justice and Public Order bill and the Police and Magistrates' Courts bill, Mr Michael Howard, home secretary, said the measures amounted to a "comprehensive attack on every

aspect of crime". But Mr Tony Blair, shadow home secretary, told an audience at Bramshill police college, Hampshire, that the police reforms would undermine the fight against crime.

"The cumulative effect will be dramatically to increase the centralisation of policing and therefore substantially to undermine community policing," he said.

The 117-clause Criminal Justice and Public Order bill proposes action against juvenile offenders, bail "bandits", terrorists, trespassers

and squatters. It also ends the accused's right to silence.

The Police and Magistrates' Courts bill sets national objectives for police, gives chief constables more flexibility over their budgets, and introduces Home Office-appointed chairmen and members of slimmed-down police authorities.

Mr Howard said the new members of the police authorities "will be local people and we are dismantling a whole series of central controls".

The measures, announced in last month's Queen's Speech, were

attacked by politicians, civil liberties groups, lawyers and police. Mr Blair accused the government of increasing centralisation of power - the heads of police authorities and a third of their members are to be appointed by the government. It would allow police authorities to be amalgamated, even if local people did not agree.

Mr Rodger Pannone, Law Society president, accused the government of ignoring recommendations of the Royal Commission on Criminal Justice which did not suit its immediate

purpose - including the creation of an independent review body to consider alleged miscarriages of justice. Liberty, the civil liberties pressure group, condemned the criminal justice bill as the "most serious and broad-ranging assault on human rights" in the UK in recent years.

Police leaders warned that the police authority reforms, fixed-term contracts and performance-related pay threatened operational independence.

The Association of County Councils and Association of Metropolitan

Authorities called the police bill "an expensive distraction from the real business of fighting crime". The associations said the government had admitted that the reforms would cost £21m. That money would pay for more than 1,000 extra constables.

The Police Federation supported the government's measures. "The bill is a sign that at last the government is prepared to get tough on criminals," said Mr Richard Coyles, federation chairman. The police particularly welcomed the provisions to tighten up bail laws.

## Media ownership rules to be reviewed

The government is pushing ahead with a review of the cross-media ownership rules that prevent newspaper publishers owning more than 20 per cent of conventional commercial television companies, Raymond Seadly writes.

A broadly based committee is being set up which could begin work next month. Members will include officials from the Department of National Heritage, the Department of Trade and Industry, the Cabinet Office and the Treasury.

The review, which will take at least three months, could pave the way for a relaxation of the rules in the wake of the recent liberalisation of ITV ownership regulations.

Mr John Major, the prime minister, is believed to be interested in the issue. The government has been lobbied extensively by newspaper groups wanting to increase their television interests, particularly Associated Newspapers, publisher of the Daily Mail and the Mail on Sunday, and Pearson, owner of the Financial Times.

Both Associated and Pearson were interested in bidding for a significant stake in a new fifth national television channel but were prevented by the rules from holding more than 5 per cent.

The argument of the liberalisers is that in an age of growing media competition and choice and the growing convergence between computers, telecommunications and entertainment, the old cross-media rules are too narrowly drawn.

When Mr Peter Brooke, the national heritage secretary, announced last month his intention to allow one company to own two ITV licences, he promised to keep ownership restrictions under review and look again at the wider questions of cross-media ownership.

## Managers buy out bus company

Managers of Fyde Borough Transport have bought the bus company which was previously owned by Fyde Borough Council, Lancashire.

The company has 82 buses operating in Lytham St Annes and Blackpool, and 12 coaches trading as Seagull Coaches. It is the 24th local-authority bus company to be sold - a further 24 remain in public ownership.

## RSI compensation awards continue

Unions have won £118,000 in compensation for sufferers of Repetitive Strain Injury in the past two months in spite of a ruling by a High Court judge that the condition is "meaningless", the TUC said yesterday.

It said the awards were from 30 cases involving five unions, mainly in out-of-court settlements. Those affected were bank workers, journalists and engineering workers.

In October Judge Prosser, rejecting a claim for compensation by a journalist against Reuters news agency, said RSI had "no place in the medical books".

## Revenue wins case on BES tax relief

By Scheherazade Daneshkhu

The Court of Appeal has overturned a High Court ruling that investors in two business expansion schemes issued by National Westminster Bank, Hambros Bank, and BZW, the securities arm of Barclays Bank, are entitled to tax relief.

The appeal was brought by the Inland Revenue in a case hinging on what is meant by the issue of a share. Lord Justice Dillon and Lord Justice Hirst dissenting.

NatWest said that it was disappointed and was considering with Barclays an appeal to the House of Lords. The decision to appeal will be taken early next week.

The Revenue argued that shares in the Homesbase scheme, issued in February by NatWest in conjunction with Hambros Bank, and Gracechurch business expansion scheme by BZW, had not been issued in a way which would allow investors to qualify for tax relief.

Loan-back BES schemes, which allowed investors to withdraw after six months while retaining full tax relief, were abolished in the March Budget.

The banks had allotted shares but had not listed the shareholdings in the companies' register of members by the Budget deadline. As a result, the Revenue did not accept that the shares qualified for tax relief.

In July, the High Court found in favour of the banks and against the Revenue by ruling that the word "issue" had no fixed meaning.



A senior civil servant who was a prosecution witness in last year's collapsed trial of executives of engineering company Matrix Churchill yesterday admitted that he misled the Old Bailey on three occasions, Rachel Johnson writes.

## Lib Dems face split on racism

By Kevin Brown,  
Political Correspondent

The Liberal Democrat party was facing an ugly split over racism last night after an internal inquiry recommended the expulsion of three members in the London borough of Tower Hamlets.

Mr Jeremy Shaw, one of three members accused of circulating racist leaflets, said local members were "very likely" to set up a splinter group. A substantial break-away could deprive the Liberal Democrats of its eight-seat majority on Tower Hamlets council, which the party won from Labour in 1986.

The three members, who deny racism, have the right to

appeal to an independent panel to be set up by the party. The report says the members involved did not intend to stir up racial prejudice. But their populist approach pandered to resentment and anxiety among local white voters.

Lord Lester accuses the Tower Hamlets Labour party of adopting "misguided and dishonourable" policies during the by-election which contributed to the BNP campaign.

The report's most damaging section asserts that the national Liberal Democrat party knew what was happening in Tower Hamlets three years ago, but took "no effective concerted action".

Mr Paddy Ashdown, the Liberal Democrat leader, moved quickly last night to limit electoral damage to the party by making clear that it would act firmly to end racism.

Mr Graham Tope, president of the Liberal Democrat London region, said the exposure of racism in Tower Hamlets was unlikely to affect the party's prospects in the elections.

"Where people comment at all, they recognise that this party has not tried to sweep it under the carpet. Far from hurting us next May, I think it is going to help us," he said.

Mr Jack Straw, Labour's environment spokesman, said the report was a "whitewash".

## Rented housing sector faces cut

By John Williams,  
Public Policy Editor

The number of homes built by housing associations for rent will fall sharply after cuts in the budget of the Housing Corporation, the quango which distributes government grant to associations.

Approvals to start building homes for rent are due to fall from 33,900 this year to 26,800 in 1996-97. Last year associations provided more than 60,000 homes for rent.

The corporation has told the government that the cut will mean the loss of 15,000 to 18,000 construction jobs.

Sir George Young, the housing minister, yesterday told parliament that he expected at least 154,000 housing association homes to be completed between 1993-94 and 1995-96.

Mr Jim Coulter, director of the National Federation of Housing Associations, said

that the government was focusing on completions rather than starts to disguise the cut.

He said: "Sir George is attempting to conceal the 30 per cent drop in new approvals by emphasising the lettings which will come on stream from homes started in previous years."

New housing plans also include a shift away from building for rent towards higher sales. This was a backdoor change in policy, Mr Coulter said. "In two years' time new rented housing will make up only 55 per cent of the housing association programme," he added.

The government is recommending that local authorities raise rents on council homes by 7.5 per cent in the coming year, four times the rate of inflation. Mr John Battle, shadow housing minister, described the increase as a "rip-off of council tenants".

## Opt-out schools gain £150m

By John Authers

The Department for Education yesterday announced grants of £150m to grant-maintained schools that have opted out of local education authority control.

Only 70 per cent of the schools which have opted out in the past year will receive capital grants, however, and about a third of these must wait until the educational year 1995-96 before the funds will be available. Last year virtually all newly opted-out schools were offered capital grants.

Labour said this showed that the Treasury had applied pressure on the education department to make the funding for opted-out schools less generous.

Mrs Ann Taylor, shadow education secretary, said: "The bribes to education department grant-maintained schools are clearly running out."

She accused Mr John Patten, the education secretary, of mismanaging the figures to make the allocation look generous, adding: "The truth is, this year there are more losers."

However, teachers' unions continued to object that more

funds were being made available to opted-out schools than to those which had remained with local authorities.

While the total of £150m, which is for specific new capital building programmes, was split between about 700 grant-maintained schools, Labour complained that the 24,000 which have not opted out are to receive only £516m in total.

Mr Robin Squire, the schools minister, said that the self-governing sector continued to grow and flourish in response to parental demand.

## OBITUARY

## Sir Robert Reid: former chairman of BR and lifelong railwayman

Sir Robert Reid, former chairman of British Rail and a lifelong railwayman, has died aged 72.

Although he was not the government's first choice to become BR chairman in 1983, he is credited with the modernisation of its management. He put in place many of the building blocks for the planned privatisation and break-up of BR, in spite of his distaste for the process. His death comes within a few weeks of parliament approving the privatisation bill.

Robert Reid was born on February 7 1921. His education at Brasenose College, Oxford, was interrupted by the second world war and he was commissioned in the Royal Tank regiment, spending more than three years as a German prisoner-of-war. He returned to Oxford and in 1947 opted for a graduate traineeship with the London and North Eastern Railway at £390 a year.

He started as a traffic apprentice and eventually became BR chief executive in 1980 and chairman in 1983. The government had sought strenuously to find a tough outsider to shake up the railway but ended up with an equally tough insider.

In spite of his long career



Sir Robert Reid at the launch of the InterCity 225 at King's Cross

with the railways he did not hold a romantic view of its traditions or its role. He broke up the established hierarchy and split BR into five sectors - freight, InterCity, provincial services, London and the south-east, and parcels. He closed the network of regional offices with the loss of 6,000

staff and presided over a halving of the government subsidy. Unlike his flamboyant predecessor, Sir Peter Parker, Sir Robert was soft spoken and adopted a low profile. Few among the travelling public would have recognised his hawk-nosed profile.

In office he took care not to

become embroiled in the political discussions of BR's future, but when pressed would question the value to customers and employees of privatising BR. When privatisation appeared inevitable he declared himself in favour of retaining BR as a single operation rather than allowing it to become "a broken-up railway with lots of little companies".

A few months before his retirement as chairman in March 1990 he made a public plea for more government investment in rail to maintain London's role as an important European transport centre.

Towards the end of his period in office his efficiency improvements were somewhat overshadowed by three fatal train crashes and a damaging dispute with the rail unions.

A member of Business in the Community, he was also on the council of the Prince's Youth Business Trust and a member of the Confederation of British Industry president's committee. He was also a companion of the British Institute of Management.

Knighthood in June 1985, he was an outdoor enthusiast, fishing, golf, sailing, shooting, fishing and mountaineering as his hobbies. A widower since 1976, he leaves a son and a daughter.

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## FINANCIAL TIMES

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Saturday December 18 1993

## So here it is, a merry Xmas

This will probably turn out to have been the most economically depressed year for the world economy since the second world war, but that is not how it will be recorded in the economic history books. Just as 1973 has become the year of the oil shock, the beginning of a number of years of stagflationary misery, so 1993 may be remembered as the year in which the world economic community finally completed the Uruguay Round of trade liberalisation, thus beginning a new era of free trade and rising prosperity.

Of course, 1973 is not only remembered for the quadrupling of oil prices. It was also the year in which Poland eliminated England from the World Cup and Slade, a British rock group, began a tradition of seasonal chart hits by taking a Christmas pop song to the top spot on the hit parade.

### Waning power

The power of Opec to influence oil prices has waned since then, but Slade's Christmas song remains as popular in 1993 as it was 20 years ago. Indeed, casual research suggests that it has been particularly popular at this year's City of London Christmas party.

No-one can blame equity market dealers, as they celebrate the fruits of London's continuing bull market, from crossing their fingers and singing along.

So here it is, merry Christmas

Everybody's having fun

Look to the future now

It's only just begun

Yet can the stock market really do as well in 1994 as in 1993, a year in which the FT-SE 100 index has risen by 16 per cent, closing last night at 3,377.12? Or does the combination of relatively sluggish recoveries, rising taxes and high price-earnings ratios on both sides of the Atlantic spell danger?

City opinion is split. Traders, and clients of Goldman Sachs, may take comfort from analysis provided by Sushil Wadhvani, the investment bank's equity analyst, who continues to point out that, using historical bond-equity yield ratios, UK equities appear 20 per cent under-valued. Others are much less sanguine. "It's all very uncomfortable," says Robin Aspinall of brokers Panmure Gordon, "but at least I can guarantee that 1994 will see a return to 1990."

Yet the bull market continues to roar. The FT-SE 100 gained 2.5 per cent this week alone, despite mixed signals about the pace of UK recovery from output and retail sales. Perverse as it may seem, the fact that 1993 has turned out to be such a disappointing year for economic growth across the industrialised world helps to explain why equity markets have performed so well. Slow growth and low inflation have pushed

short-term interest rates down on both sides of the Atlantic, encouraging investors to move out of cash in search of real returns. Bonds have benefited most from this pool of income-seeking liquidity, but equity yields have also surged ahead in every major market except Japan.

Can it last? For the UK stock market, the big unknown is whether economic growth will eventually resume at historic rates without a surge in inflation. If so, the scope for higher dividends combined perhaps with a rise in bond yields as growth accelerates should be enough to return the yield ratio to its historic level. But an upturn in inflation alone would also lift the yield ratio by raising long-term rates and, if short rates also rise, could send shares falling.

Then again, perhaps historic relationships between bonds and equities are no longer a good guide to the future. A prolonged period of low growth could rule out the kind of earnings growth which would be needed to justify current price-earnings ratios.

In Britain, the immediate threat of a sudden rise in bond yields seems non-existent. Underlying inflation is falling and the labour market remains depressed. Short-term UK interest rates are more likely to go down than up. If there is an inflationary risk to UK equities, it comes from the US where growth is stronger and the Federal Reserve may soon raise short-term interest rates. A sharp US increase could dry up the flow of US money into Europe, while falls on Wall Street would also be felt across the Atlantic.

But with US inflation still subdued, any rise in short rates is likely to be a statement of intent rather than a sign of imminent danger. US bonds could even rally as a result. Nor does slow growth on the European continent spell too much danger for UK equities so long as the Bundesbank continues to push interest rates lower.

Risk in recovery

Not surprisingly, the pace of domestic recovery remains the greatest risk for UK equities.

Britain's long-term economic weaknesses - low investment, decaying infrastructure and inadequate skills - have not gone away, despite the statistical fog which currently surrounds the trade figures. But the immediate threat is that growth will be too slow, not too fast, over the first half of this decade. Investors may well be persuaded that lower UK interest rates will offset the effects of tax increases, and that slow growth of disposable incomes will postpose recovery rather than abort it. But how far into the future are they being asked to peer?

Conservative party conference.

His success is a tribute to hard work, a willingness to pick first-rate staff and an unshakeable self-confidence. "He has the style of a bulldozer," says a senior EU official.

An ability to plough through mind-numbing detail proved crucial as the EU's lead negotiator in the tortuous Gatt negotiations. "The contrast with his predecessor (Frans Andriessen) could not be more marked," says a Commission official. "He listens to what his civil servants tell him, he uses their advice, and he understands them. This is all highly motivating."

His eagerness occasionally borders on the impulsive. In early January, Sir Leon tried to strike a deal with the outgoing Bush administration on Gatt before he had been formally confirmed in his new post as Commissioner for External Economic Relations. He still insists he had a chance of converting his "short twist" with Mrs. Clinton, then US trade representative, into an agreement. "I just needed a month rather than two weeks."

Others disagree. "In the beginning, Brittan wanted a deal at any cost," says a veteran EU trade negotiator, "but he ended up understanding that the Americans only respect hard bargaining."

This became evident during his relationship with Mr. Mickey Kantor, the US trade representative. At times, the two men looked like the Odd Couple on the international trade circuit: Sir Leon as the silken-tongued barrister from Cambridge and Yale Law School, and Mr. Kantor, the country lawyer with the light Tennessee drawl.

Sir Leon makes little pretence to personal chemistry with Mr. Kantor and no reference to their common heritage as the descendants of Lithuanian Jews. "Mickey Kantor is a deal-maker," he says. "It is a man you can do business with."

The moment that Sir Leon believed there was a deal to be done came when President Clinton renewed his "fast-track" negotiating authority. This meant the US Con-

A Russian couple debated which candidate they liked better last Sunday's elections. The wife favoured Vladimir Zhirinovsky, leader of the neo-fascist Liberal Democratic Party. The husband objected: Zhirinovsky is a Jew, he said. The wife believed him, and they voted communist. This really happened.

Post-communist Russia is perhaps the only place where voters who wish to vote for fascists choose instead to vote communist because the fascist leader is Jewish. It is the basis for a farce, but that is not what it is.

Mr. Zhirinovsky's Jewishness (through his father, Wolf Zhirinovsky) is not uncontroversial, but it is probable. Yesterday Mr. Mikhail Chernen, head of Russia's Jewish Federation, says that he met Mr. Zhirinovsky in November 1988 during the founding conference of an organisation called Shalom.

"He got up and said he was a lawyer, and after his speech he was elected to the board. Shalom lasted three months and then he disappeared. There was no hint of a future resumé. It was self-evident that anyone who came to such a meeting was Jewish or considered himself to be. There is no doubt that, with a name like Wolf, his father was Jewish."

Being, or not being, Jewish matters in Russia. Jews are not the most oppressed of the former Soviet peoples - it is the Azeris, Armenians and Georgians who are being thrown out of Moscow and St. Petersburg now - but they cannot expect to play a leading role in the governance of the state. It matters for Mr. Zhirinovsky, because he has used - inconsistently - anti-semitic (or "anti-Zionist") rhetoric in his campaigns and would presumably suffer more defections from his cause once people knew for sure he was Jewish.

Yet all this merely adds another veil to the dance Mr. Zhirinovsky is performing in front of the Russian people, and of the world. It adds another layer of obfuscation on a figure whose contradictions are beyond easy explanation. As the world asks - should we take this man seriously? Does he herald a nation in arms against reform? - he continues to weave this way and that, now protesting moderation, now threatening to use nuclear weapons on Germany and Japan, now claiming he is a malignant liberal, now welcoming starvation in Central Asia if it assists Russia's economy. If Stalin was a dogma wrapped in an enigma, Zhirinovsky is a scream of rage masked with a grin, veiled with a lie and topped with a joke.

A judgment on him might start with his assessment of himself in his autobiographical pamphlet *The Last Days of the South*. The analysis is as dark and pathetic, as ridden with complexes and hatreds as that of any important public man of our times. His book is the testament of the victim: of a boy who hardly knew his father; who grew up with five siblings (by another father) in one room in a communal flat; whose mother took a young husband while he was still a child; who "never liked common games - I always preferred to play by myself"; who says at one point that "my whole life was a degradation" and again that "I had no friends" and that "I loved my mother... I loved her very much... I watched her cry again and again."

The mawkishness, the obsessive insistence on his specialness and uniqueness, his insistence on suffer-

ing are touching, because they show not a brute, but a man whose sensitivity and intelligence never could attract the attention of the mother he adored. There are also passages of compelling writing, as on his first awakenings of sexuality, watching naked little girls go to the lavatory in the night in the orphanage in which he spent some time. Later, his wife and son are introduced as an afterthought - the centrepiece must be the unfairness of the world to Vladimir Zhirinovsky, and the explicit and constant equation of the life of the former Soviet Union with the ills which beset him.

On the first page, his birth is described down to the minute and the weather, and intercut with the degraded condition of the Russians in Kazakhstan (he was born in the Kazakh capital of Alma Ata) - a state they considered they had brought into the civilised world. Later, he rails against his life in the communal flat as a product of the preference given to Kazakhs over Russians in the allocation of individual housing. After another howl that his life has been "nothing but suffering", he shifts to Mikhail Gorbachev and says "he had a sweet life. That's why he... could do nothing right. He was weak."

How could this bundle of resentments and hatreds and losses have risen so fast to become the latest threat to the west's peace of mind? Throughout his life's account, there are hints that he may have been

Vladimir Zhirinovsky is part clown, part victim, say John Lloyd and Leyla Boulton, but his contradictions cause concern

## Smile masks a scream of rage



Scream of rage: the world is wondering if Russia's Vladimir Zhirinovsky should be taken seriously

associated with the KGB: his education in a prestigious oriental language institute, his army service as (apparently) an instructor, a trip to Turkey - all of these would have at least attracted the attention of the all-encompassing security service, if they were not sponsored by it. Mr. Chernen, also a graduate of the oriental institute, says graduates were routinely asked by the KGB to work for them after qualification. He avoided it by moving into academia.

Further, Mr. Zhirinovsky's dip into Jewish movements in the late 1980s (an area saturated with KGB attention) and most of all his founding of the Liberal Democratic Party in 1990 (registered in 1991), shows either a man of extraordinary freedom of movement or one with at least a thread leading back to KGB headquarters in the Lubyanka.

From the start, the LDP was a strange formation. It eagerly espoused individual rights and the need to "deideologise Soviet society", (then passing through the last, terminal crisis of communism) - and at the same time insisting that the Soviet Union remain an integral state. An early interview with Mr. Zhirinovsky in the conservative newspaper *Glasnost* during his bid for the Russian presidency in 1991 (where he zoomed from nowhere to third place after Mr. Boris Yeltsin and Mr. Nikolai Rykov), quotes him as saying: "Every-

where I want I spoke about anti-Russian attitudes. Now we've seen the last straw - the killing of Russians in Russia because they're Russians (referring to some apparently ethnic-based murders). I don't say Russians are any better than anyone else but they are certainly no worse and they don't deserve their present fate (as the victims of their former colonial empire)."

It is the voice of the victim-nation, forced out of former colonies, feeling the boot on the end of another foot. Every imperial country - Britain, France, Portugal - has had a similar imperial movement, and Mr. Zhirinovsky began to articulate it as soon as he came into public view. It is not far fetched to say that this is a voice of the KGB, and that the LDP - whose launch made the first page of Pravda, a sign of approval - is yet another "police party" of the kind familiar during the Tsarist period.

But are not the worries of Russians today less about the integrity of the former Soviet Union than the price of bread? Is not the LDP's economic programme - more arms sales, no more aid to the former Soviet republics, a boost for the public sector, a crackdown on crime - ridiculous in its simplicity? Yes: but Mr. Zhirinovsky's skill has been to recognise that people do not want one more foolproof plan from a self-styled economist: they want action, even if it is only the action of a demagogue.

What Alan Bullock in his *Hitler*

and Stalin: Parallel Lives says of the German fascist leader is true of Mr. Zhirinovsky. "He never made the mistake of supposing that the best way to exploit (the depression) was by making economic policy and promising the centrepieces of the party's opposition. He grasped, as no other German politician did, that the effect of such economic factors on people's lives was one of psychological shock and that it was to the emotions this created - fear, resentment, despair, the longing for reassurance and the renewal of hope - that a political leader should address himself." Economics, indeed, have nothing to do with it.

Comparisons with Hitler overestimate Mr. Zhirinovsky, however. He will not cut the same swathe through civilisation - not because he has no ambition to do so, but because he has neither the will nor the space.

He is a fragile man, for all his scorn for those who have had the "sweet life". He attracts no one of any quality (as Hitler soon did) and cannot bear anyone who seeks equality with him. His background, or his KGB links, or both, are in the end debilitating in this society. His need for the victim status much more obsessive than Hitler's as revealed in *Mein Kampf* or *Table Talk*, will be difficult to transform into an effective use of the power he appears to want.

The special circumstances of Russia, and the incompetence of the reformists, especially in running an election campaign, have given a talented populist room for growth. But he is a freak - a hot character in an increasingly cool environment, where TV sets flicker behind threadbare curtains from Brest to Vladivostok. Mr. Zhirinovsky is at once the master and the victim of television. The master, because he is able to be simple, direct and convey his own obsessions and hatreds of "them", to chime with a nation made to feel like outcasts. The victim, because the medium demands fresh fodder constantly, and (as many Russians now say) he is a one-time phenomenon, not a permanent fixture.

His inarticulate ability to deny pledges made in print or in public and to assert the opposite is seen as clever but will also bewilder or dishearten. The great European tyrants of the century - Stalin, Hitler, Mussolini, Franco - all did much of what they promised and often raised their peoples' living standards, at least for a while. Mr. Zhirinovsky, instead, threatens nuclear holocaust.

Finally, the European dictators' rise to power was against a threatening background in which it seemed wholly sensible to be tyrannical. Mr. Zhirinovsky grasps for the seat of the Russian president when almost every important country in the world is trying to become democratic or market-oriented or both. He himself, in his extraordinary dodging this way and that, pays both the tribute of rhetorical support.

He is more than a clown, though he is funny; but less than a tyrant in the making, though insofar as there is a programme it is fascist. He is like one of Shakespeare's most bitter and diseased jesters with a skinhead retinue. And he reflects, sometimes with shocking accuracy, the cries of a society in which many have suffered similar tribulations to his own, and now feel even more dispossessed than he can give witness to.

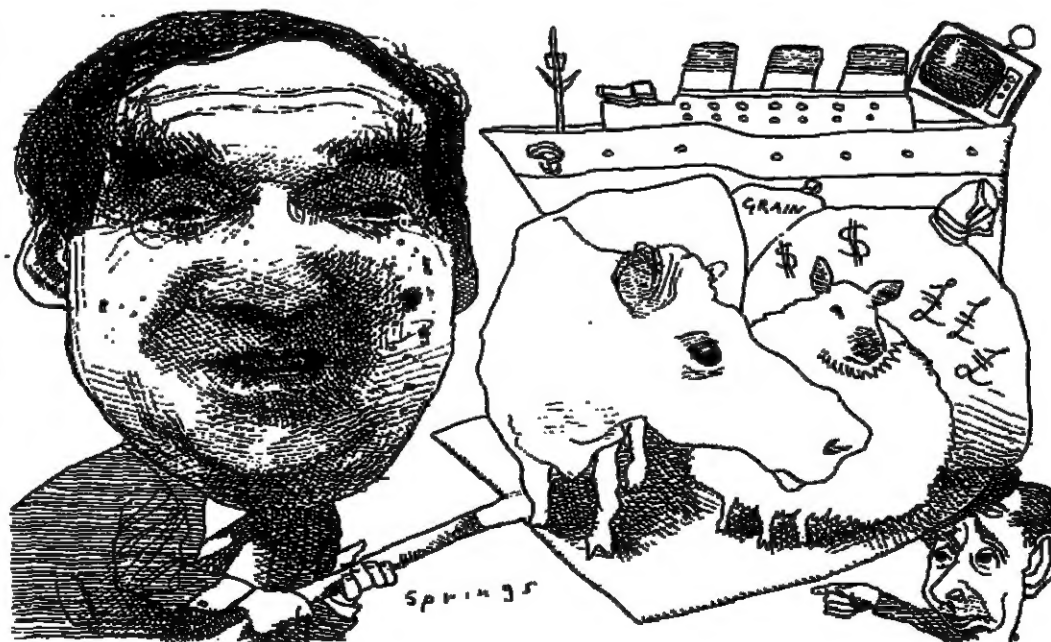
He adds, in matter of fact fashion, that his own vision of Europe will appear in a book "published by Hamish Hamilton on March 31". This happens to be just three months before the European summit in Corfu will choose a successor to Mr. Delors.

There is always an element of calculation about Sir Leon, a hint of a wider game-plan. No doubt the Gatt trade deal has forced everyone to take a second look at his pending candidacy; but he must still overcome residual suspicions about anything British in Europe. It is a hard sell.

### MAN IN THE NEWS: Sir Leon Brittan

## Bulldozer brawn with a brain

Lionel Barber on Europe's chief Gatt negotiator



gress could not attach treaty-wrecking amendments to a final Gatt text, provided a deal was struck before December 15.

Sir Leon was determined to make December 15 stick. He knew that failure risked splitting the EU between a free-trading bloc led by the UK and Germany, and a protectionist-leaning group led by France.

His strengths and weaknesses were less apparent in his dealings with the Americans than in his efforts to resolve internal differ-

ences among the Europeans.

The job of chief EU trade negotiator requires the skills of juggler and tight-rope walker. As a member of the Commission, Sir Leon is the servant of the 12 member states. He must balance their often conflicting interests while following a mandate set out by the Council of Ministers. Simultaneously, he must show his interlocutors that he has the flexibility to negotiate and ultimately deliver a deal.

This is a shade more complicated

than the hand played by Mr. Kantor. Late in the negotiations, the talk in Geneva was that the US trade representative was taking his instructions from two men only: President Clinton and Mr. Jack Valent, head of the powerful Motion Picture Association which was pressing for greater access to film and broadcasting markets in Europe.

The charge against Sir Leon is that he lacks political touch in dealing with his European partners. An observer in the Council of Ministers

says it was only late in the day that Sir Leon grasped the importance of keeping all member states on board during the negotiations - particularly the recalcitrant French.

This lacuna resulted in an explosive encounter with Mr. Alain Juppé, the French foreign minister. The clash exposed the love-hate relationship which France has enjoyed with Sir Leon since he came to Europe. Although the French like to demonise him as an Anglo-Saxon free-marketeer, they are drawn to his intelligence, charm and vanity; in their eyes, he will always be the knighted member of the British upper class who can handle a French subjunctive clause.

On September 30, Mr. Juppé pressed a list of French demands for revisions of the EU-US Blair House accord limiting farm export subsidies. Sir Leon refused to have his hands tied, and still maintains that his stubbornness saved a Gatt deal.

The French demands were extremely risky and could have led to disaster by provoking an outright American rejection.

A colleague agrees that Sir Leon was objectively right, but adds that facing down the French government risked weakening Paris's confidence in the Commission as an impartial negotiator. Similar doubts were shared by the Danes, Greeks, Spanish and Portuguese, all of whom felt they had been kept in the dark as the talks neared a conclusion.

Sir Leon, ever agile, counters that he was never once pressed for information beyond what he was ready to reveal. "They knew perfectly well what I was not saying. It was accepted, and it was acceptable."

But a Council official describes Sir Leon's self-righteous attitude as "very British".

Sir Leon knows very well that he cannot afford to be labelled British at this stage in his career. Right now, being British in Brussels rates as a negative. Resentment lingers over Mr. Major's article setting out a minimalist vision of European integration in *The Economist*; but the problem goes deeper. Sir Leon's tac-

tics over the past 12 months have been to put discreet distance between himself and Mr. John Major's government.

Earlier this year, he warned Britain to take seriously the prospect of "hard-core" member states moving towards European monetary union. He supports the concept of a common European foreign and security policy, and he has taken to chastising the US in public for not living up to its free-trade rhetoric.

It may not be enough to win the top job in the Commission. He faces tough enough unadorned competition from Mr. Ruud Lubbers, the Dutch prime minister and front runner, and the two seasoned Belgians, Mr. Leo Tindemans and Mr. Wilfried Martens, and possibly from Mr. Peter Sutherland, the director-general of Gatt.

Sir Leon inspires great loyalty among staff inside the Commission, who praise him for opening up information flows and streamlining the bureaucracy. "He would be a godsend to the Community," said one official, "because somebody has to manage the Commission."

Sir Leon himself denies he is running for higher office. But he is willing to describe the qualities of a Commission president. "You have to be capable of vision, and have the determination and energy to pursue that vision, as well as the capacity to persuade people that it is the right vision."

He adds, in matter of fact fashion, that his own vision of Europe will appear in a book "published by Hamish Hamilton on March 31". This happens to be just three months before the European summit in Corfu will choose a successor to Mr. Delors.

There is always an element of calculation about Sir Leon, a hint of a wider game-plan. No doubt the Gatt trade deal has forced everyone to take a second look at his pending candidacy; but he must still overcome residual suspicions about anything British in Europe. It is a hard sell.

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# Go-getters wait for starting gun

Norma Cohen on the outlook for a possible successor to the USM

The UK's Unlisted Securities Market is dying. Is there going to be a son of USM?

If European venture capitalists have their say, the London Stock Exchange would accelerate plans for a new offspring. At a recent seminar, together with the chairman of many small companies, they were asked whether they would prefer to list shares on the London Stock Exchange or a new exchange tailored to their requirements. The answer was overwhelming. The entrepreneurial companies' exchange won hands down.

The seminar indicated the widespread dissatisfaction among small companies at the way they are crowded out by large companies who dominate the London Stock Exchange's official list.

Last April, the City Group for Smaller Companies (CISCO), a group of UK venture capitalists, small company chairman and stockbrokers, published a paper calling for a new Enterprise Market for the trading of smaller companies' shares.

The model, CISCO says, would be the US-based Nasdaq, which was set up in the 1970s as an exchange for small companies but is now the second-largest stock market in the world by trading volume, and includes many large companies. It expanded rapidly in the 1980s as fast-growing companies such as Apple, Microsoft and Intel chose it for the initial public offerings of their shares.

Mr Richard Balakras, chief executive of CISCO, says the group would prefer to see a new UK enterprise exchange, which it estimates would cost £20m to develop, operating under the aegis of the existing London Stock Exchange. But it has investigated whether there might be alternative commercial providers, including Nasdaq, because it fears that it

will be some time, if at all, before the stock exchange acts. This week such worries have come to a head. The stock exchange's board shelved a report from its own smaller companies' working party which recommended a new Nasdaq-type Enterprise Exchange - similar to that proposed by CISCO - to replace the USM which is due to close by 1996. "The existing official list clearly meets the financing needs of many smaller companies," the board says. Some 90 companies have floated their shares on the stock exchange official list so far this year, it adds.

According to the exchange, the USM's closure later this decade was announced earlier this year partly because it was becoming increasingly difficult to distinguish between companies trading there and those on the official list.

Moreover recent amendments to the qualifications required for a listing on the main exchange will make it easier still for small, high-technology companies - including those which have not yet sold any products - to raise equity capital on the official list.

However, the exchange acknowledges "a widespread perception that the needs of smaller companies are not always adequately catered for" and promises further market research. Mr Giles Vardy, market development director at the exchange and a member of the working party, says that idea of a new market for small companies has not been totally rejected.

Privately, however, some members of CISCO believe the exchange is not prepared to cede ground to a potential rival. Already the exchange has seen some of its core func-



Trade in small company shares: is there enough interest to justify a new enterprise exchange?

tions - such as its monopoly over the distribution of share price information and its role in settling share transactions - taken over by others. Its control over the listing of shares remains one of the few areas where its dominance has not been questioned, an enterprise exchange, with its own board of directors and chief executive, would do just that, even if under the wing of the main exchange.

Mr Vardy, however, denies that the exchange is trying to block a potential competitor. "We have no divine right to run the only stock exchange in this country," he says.

The exchange's reticence may be justified. While many venture capitalists are convinced

that an enterprise exchange will draw investors, their confidence is not universal. During the past few years of recession, small companies have watched helplessly as trading in shares listed on the USM fizzled out and investors withdrew their capital.

"In a bull market, there is nothing that avarice will not overcome," says Mr Brian Winterlood, chairman of Winterlood Securities which specialises in small company shares. "What we want is a market which will stand up in a recession."

Mr Neil Austen, partner in the corporate finance practice at KPMG Peat Marwick, says: "The USM achieved some of the aims of smaller companies.

show they are unlikely, either, to show much interest in an enterprise exchange. "If privatisations and the discounts they carry have not attracted private individuals, then nothing will," he says.

A possible means of stimulating private investor involvement would be for institutions to package shares in enterprise market companies into easily-tradable unit and investment trusts.

If Nasdaq is a guide, such a stimulus may prove essential in the early stages of a new market. Initially, private investors accounted for more than half the trading volume on Nasdaq although subsequently that the figure has fallen.

But Nasdaq officials do not believe their experience can necessarily be repeated in the UK. Firstly, the US system of regulation has promoted competition between many different exchanges. In the UK, the London Stock exchange still faces little competition.

Nasdaq's success reflects its ability to attract well-managed companies with good products. "When a small company lists on Nasdaq, retail investors are interested because they all want to buy the next Intel or Apple," says one exchange official. The US system has spawned a multitude of stock-brokers who track the shares of some of the smallest companies, helping private investors to find bargains among the multitude of choices.

The creation of a US-style exchange for entrepreneurial companies looks a long way off in Britain. The stock exchange must decide whether it wants to be the creator of this new market, or whether it will allow a competitor to take the initiative. But the debate about structure may prove secondary to the central question of whether British investors are prepared to commit their cash.

this so-called "first-stage" bill. There are signs, however, that support could be weakening. The Liberal (conservative) party, which has 14 votes, is split. The majority feel the party's credibility will be fatally damaged if it fails to support the bill but a vociferous minority feel the party should side with China.

The outcome of this internal conflict is unclear, but in the unlikely event that the Liberal party votes against the government, Mr Patten would still command a majority. "I think we are home and dry" on the first-stage bill, one senior government official noted.

The second phase of Mr Patten's campaign will coincide with the tabling - around the beginning of March - of his second bill. This will seek to broaden democratic participation in the election of LegCo's remaining 40 seats. His campaign is expected to include public meetings, walkabouts across the colony, and more intensive lobbying of LegCo members.

China has yet to respond to Mr Patten's plans. It may treat the legislative process with the contempt it thinks it deserves. It may respond in kind by organising "patriotic" demonstrations against British rule.

Whatever the outcome of the LegCo debates, China has promised fresh elections after the 1997 takeover along lines to be determined partly by the PWC's deliberations, but mainly by Beijing's requirement that LegCo be quiescent.

As Mr Patten has discovered, China's concept of "one country, two systems" always meant a capitalist Hong Kong operating within the overarching sovereignty and political control of Beijing.

The omens are reasonable that Hong Kong's capitalist system will survive the political rows of the coming six months. But as economic influence drifts into Beijing's hands, Mr Patten will find that his strength in the battle will also diminish. By 1997, the best he may be able to say is that, at least, he has not tried to introduce the kind of democratic structures the UK believed were right.

Staging the World Cup in the US is a gamble for its organisers, says Patrick Harverson

## Home game, away fans

When they held the draw for the 1990 World Cup finals in Rome, Luciano Pavarotti was the star of the show. When the draw for the 1994 World Cup finals is held in Las Vegas tomorrow, Barry Manilow will be the main attraction.

Pavarotti was a natural host in Rome because he loves football and is an international star. Manilow, however, like most Americans, does not - at least not enough to convey its excitement on radio and television to his home-grown fans.

The organisers of the World Cup have had trouble finding an American grown superstar to extol the virtues of "soccer" to a country with no footballing tradition. So it is important that the stars who perform in person or by satellite tomorrow - Rod Stewart, Elton John, Robin Williams and James Brown - do so with the kind of pizzazz normally reserved for a Super Bowl halftime show. Otherwise, Mr and Mrs Middle America might ignore the event altogether.

"All we're looking for is some exposure," says Jim Trecker, senior vice-president of World Cup '94, the organising committee in the US. Outside the US, the going should be easier. Fans around the world usually follow the draw closely to discover which country their national team will be playing in the opening round of the tournament. A global audience of about half a billion people is expected to watch the ceremony live tomorrow.

But only a fraction of that number will be in the US. While the draw will be shown on ESPN cable sports channel, none of the country's three main networks is broadcasting the event, which is not surprising since most Americans know little about football or the World Cup. Although millions of children play the game - it is regarded as safe and inexpensive - their interest rarely survives beyond their teens.

The reasons are plain: since the North American Soccer League folded in 1985 there has been no fully-fledged professional league which they could support or which they might join as players. In addition, football is rarely shown on television, apparently with good reason. A poll last year by a Dallas sports marketing group found it ranked 95th among 124 sports Americans liked to watch. Dog-sledding and log rolling ranked higher.

So if Americans are uninterested in the game, why is the World Cup being held in the US? Two words hold the answer: ambition and money. In 1988, the Federation of International Football Associations, the world governing body, selected the US to host the 1994 finals because it wanted to conquer the last big developed country which had not embraced "the world game". It also wanted to make a lot of money in the process.

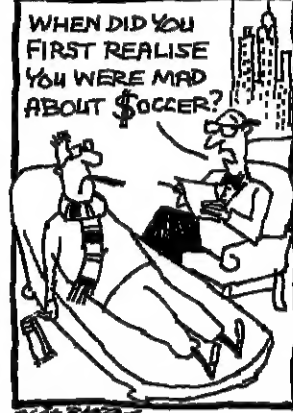
Fifa is almost certain to achieve the latter. A roster of blue-chip US companies - including Coca-Cola, General Motors, Mastercard and McDonald's - have lined up to pay as much as \$20m each to FIFA to earn the status of sponsor of the World Cup - not because they want to reach their domestic market, but because they want to tap into the global marketplace. Sponsors can attach their logos to World Cup merchandise and publicity material and can buy prime television advertising slots. It is estimated that by the time the 52nd and final game is over, a cumulative audience of 25bn to 30bn will have watched the World Cup.

Aside from corporate sponsorship, FIFA has received \$300m for the international broadcasting rights, and \$210m should come from the sale of 3.6m game tickets, which are expected to be sold out in advance of the opening ceremony on June 17. The nine cities hosting the games - New York, Los Angeles, Chicago, Boston, Dallas, Washington DC, Detroit, San Francisco and Orlando - anticipate a flood of foreign visitors, who will contribute to the estimated \$4bn which could be spent on the World Cup in the US - on everything from hotels, to ticket and T-shirts.

While the tournament is virtually guaranteed to be a commercial success, doubts remain about FIFA's primary ambition: to colonise the US for football. It hopes rest on the theory that the interest created by the World Cup will sustain a US professional football league. George Vescey, a New York Times sports columnist who has covered the last three World Cups, is sceptical whether the tournament's legacy will be strong enough to support such a league. "I don't think the US will embrace world football. We have the stadiums, the phone lines, the hotels, and the multinational (sponsors) - that's why we were selected. Whether it will feel like a real World Cup is another question."

By a "real World Cup", Vescey means a tournament which not only stokes the passions of fans in the 24 competing countries, but also captures the imagination of the host nation. A lot will depend upon how the US team, one of the weakest in the tournament, fares. It is crucial that the home team advances past the first stage of round-robin league games and into the more exciting knockout stage. Quality will also be critical. Too many unexciting, low-scoring games will make it harder to sell the sport to sceptical Americans.

At the moment, however, the World Cup organisers are more concerned about making sure the stars booked for tomorrow's draw turn up to perform. Only when the Las Vegas ceremonies are over, will the task of selling an American World Cup to Americans crank into top gear. A survey released two weeks ago by Fifa showed that only 35 per cent of Americans knew that the World Cup was being held in their country next summer. In Brazil, the figure was 99 per cent. The final score in the US is far from certain.



The stage is now set in Hong Kong for a battle between populist politics and the might of the Chinese Communist party. When Governor Chris Patten tabled the first part of his democracy legislation this week he almost certainly brought to an end Anglo-Chinese co-operation on the colony's political development: a battle

The contest, which promises to exacerbate already deep divisions, will accelerate the decline of British power in Hong Kong in favour of the mainland Chinese. It is in China's gift to make this contest as benign or bloody as it chooses.

But it is clear that international and domestic investors regard the row over democracy as little more than a sideshow. Continuing the gains it has made in recent weeks, Hong Kong stock market's Hang Seng index ended yesterday at a record of 10,568.86, up more than 2 per cent on Thursday's close.

With mainland Chinese politics in a relatively stable period, Beijing's push for economic liberalisation, together with the colony's pre-eminence position as the gateway to China, has made Mr Patten's agenda for democratic reform a secondary issue. Since 1984, when Britain and China signed the joint declaration ceding sovereignty of the colony to Beijing in 1997, the Hong Kong and Chinese economies have become increasingly dependent on each other: as close as "lips and teeth", say mainland officials.

As the chart shows, China's dependence on the port of Hong Kong for its international trade has grown considerably. Hong Kong (and Macao) account for the largest share of "foreign" investment in China. In addition, mainland interests have shareholdings on Hong Kong's stock market worth a minimum of HK\$20bn; many observers believe the figure is much higher.

For the colony, economic conditions across the border on the mainland are crucial: about a quarter of its Gross Domestic Product is dependent on activities derived from links with China.

All this serves to underline what has become apparent as the talks

Simon Holberton says Chris Patten's confrontation with Beijing is about to heat up but investors seem unconcerned

## Populism at war with political correctness

between the UK and China have soured: increasing economic interdependence means that much influence has already transferred to Beijing and that, whatever political measures China plans to take against Britain, Hong Kong's economy will be spared retribution.

Yet because the UK will not give China what it wants - a compliant legislature - and because China remains still likely to vest all political control in the Communist party, Hong Kong has to pass through one last rite of passage before its formal return to Chinese sovereignty.

Beijing signalled the beginning of conflict on Wednesday evening when the Xinhua News Agency called on the people of Hong Kong to work with the mainland's representatives in the colony for a "smooth transition" to Chinese sovereignty.

This was a reference to the Preliminary Working Committee (PWC), set up in Beijing in the summer. It consists of mainland officials and several prominent Hong Kong citizens, including Mr Li Ka-shing, the businessman, Mrs Rita Fan, a former member of Mr Patten's executive council (colonial cabinet), and Mr Tsang Yok Sing, a spokesman for the left wing in the colony's politics.

The job of the PWC is to prepare the ground for a "preparatory committee", which will be created under Beijing's auspices in 1996 to prepare for the takeover. As Anglo-Chinese relations have deteriorated, the PWC's remit has changed. It will now engage in "practical work", including devising, by July next year, a method of electing the Legislative Council after 1997. The timing is significant: July is when the Hong Kong govern-



As close as lips and teeth

	1984	1992
Hong Kong exports to China (HK\$m)	39,247	274,094
% of Hong Kong's total exports	17.8	28.6
Re-exports from China (HK\$m)	28,107	408,782
% of Hong Kong's total re-exports	33.7	58.4
China's exports through Hong Kong (% of total)	26.5	44.1
China's imports through Hong Kong (% of total)	12.0	25.5
Hong Kong's Macao direct investment in China (US\$m)	748	7,009
% of total foreign investment in China	52.7	70.0
Employment by Hong Kong manufacturers in China	minor	3m
HK\$ circulating on the mainland (HK\$m)	3,071	14,387
% of total HK\$ in issue	32.7	28.6
International telephone traffic to China through HK ('000 minutes)	5,838	534,225
% of total	9	47
International telephone traffic from China through HK ('000 minutes)	439,610	41
% of total through Hong Kong	8	21.5
Hong Kong visitors to China (m)	63.3	74.1
% of total visitors to China	44,000	1,440
Chinese visitors to Hong Kong	1.4	14.3
% of total visitors to Hong Kong	1.4	14.3

ment wants LegCo to finish discussing Mr Patten's democratic legislation. Mr Patten's pre-Beijing press has begun to question the "Chinese-ness" of some leading pro-democracy advocates in the colony. One recently said Ms Christine Loh and Ms Anna Wu - two liberal-minded Patten appointees to LegCo - were "women with striking western values and little feel for China and its ancient ways".

As Beijing has begun to prepare its tactics for the months ahead, so to has Mr Patten. Earlier this month he told LegCo that he would "employ all the rhetorical talents at our command" to put into place arrangements that the UK and Hong Kong governments think are in the best interests of the colony.

This week the campaign got off to a low-key start, with Mr Patten soliciting individual legislators' support for the bill introduced on Wednesday. The measure will lower Hong Kong's voting age to 18 from 21 and abolish appointments to local government councils. It will also create single seat constituencies for local government and 20 of LegCo's 60 seats.

The government is confident that about 50 LegCo members will support

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## Re-build more in keeping with the environment

From Mr Michael J Wade.

Sir, Michael Cassell ("Nightmare on Marsham St", December 17) is right to criticise the current Department of the Environment buildings.

However, one point which I feel he misses is that the other dimension to these dreadful buildings is the height to which they were constructed. Prior to 1970 local residents, office workers and visitors were able to enjoy views of the Palace of Westminster and

Westminster Abbey from quite a long distance away, which added to the agreeable ambience of the general area.

I very much hope that, once these awful buildings have been demolished, the planners will not allow any reconstruction which exceeds the current eight-floor limit imposed on other developers in this region over the past few years. Michael J Wade, 6 Vincent Square, London SW1P 2LX

## 'Imaginisation' runs riot a bit

From Mr A H Coles.

Sir, Lucy Kellaway's article, "Are you a vine, an egg or a train?" (November 17), led her to "imaginisation" calling her boss a hedgehog, rather than saying a hedgehog, "You're prickly," straight off. "You're prickly," if her boss is a hedgehog, being likened to one of her charges could lead her to think changes could be called a disgustingly noisy eater, or that she puffs and snorts vigorously when making love. Possibly not the intended message.

If hedgehogs could send their own message at this time of year it would be for people to take care when tending the garden. Hedgehogs hibernate among piles of leaves and twigs, so please check these carefully before consigning them to the bonfire. A H Coles, British Hedgehog Preservation Society, Knowbury House, Knowbury, Ludlow, Shropshire SY8 3LQ

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Vision that will build information services

From Mr Neil A McEvoy.

Sir, Mr Nick Moore (Letters, December 16) argues against himself in his support for Mr Delors' proposals on "info-highways". Yes, the UK already has the strongest European telecommunications and information services sectors, precisely because of its relatively laissez-faire approach to the industry. Certainly Britain's 19th cen-

tury investments in railways were handsomely repaid in growth across the economy. However, this did not occur because "Britain had the vision to invest", but because individual entrepreneurs had that vision.

Any regular reader of your paper could easily determine that the information services already available (and widely

taken up) in the US far outstrip those available in Europe. Further, provision of the software which makes it all happen is an industry dominated by US companies, most of which didn't exist 15 years ago. None of this happened because of an all-encompassing government plan, but because of the vision and boldness of thousands of ordinary engineers

and businessmen. If a largely dirigiste (and still protectionist) Europe competes with a largely free enterprise US in information services, then all Europeans will be the losers. Neil A McEvoy, managing director, Hyperion, 3 Frederick Sanger Road, Surrey Research Park, Guildford, Surrey GU2 5YD

## Irony behind unfairness of capital gains plans

From Prof D R Myddelton.

Sir, You are right to criticise the government's budget proposal to abolish indexation in calculating losses for capital gains tax (Leading article: "Trickery with capital gains", December 13). The revenue yield will be very small, but that is not the point. Both the proposal to tax "unreal" net capital gains and its retrospective aspect are unfair to taxpayers.

This is the sort of thing that brings government into disrepute. It is ironic that the main

supposed justification for taxing capital gains in the first place was to "add fairness" to the tax system.

You say it "may be difficult to retreat from the principle of partial de-indexation". On the contrary, it should be easy - as well as highly desirable - to retreat from a swindle. D R Myddelton, professor of finance and accounting, Cranfield School of Management, Cranfield, Bedford MK43 0AL

## Controversy about St Petersburg development achieved only by a manipulation of the facts

From Mr Sam D Paterson.

Sir, Colin Amery's article, "A monster that may ruin St Petersburg" (December 13) is a regrettable example of journalistic licence which only presents selected facts to fit a distorted image.

The illustration of the tower which he used was a product of Lenniplojekt - one of St Petersburg's design institutes. Moreover, the illustration

which you published is not of the latest model. The concept has been around for at least 20 years, and is purely home-grown. Wilson Mason's involvement is as project-manager and as designers of certain aspects of the building which will affect its letability, eg, the core. We have had a team in St Petersburg for several months now, in close co-operation with Lenniplo-

jekt, the city architect and authorities, in order to ensure that neither local sensibilities nor an architectural heritage second to none are trampled on, how dare this one-day wonder assert otherwise? Far from hanging our heads in shame, we are extremely proud to be associated with a project which can only benefit St Petersburg by keeping rampant commercial development

out of the city centre and which will attract incoming investment. We note that even the FT itself is aware of the need to locate its buildings, in one instance at least, away from the centre in a convenient fact far from his viewpoint. I wonder who our Russian friends would make of Mr Amery's cerebral observation that "St Petersburg should advance slowly." Would he prefer them to live some kind

of limbo existence in a giant theme park? If Mr Amery has set out to be controversial, then he has only succeeded by a manipulation of the facts in this instance. His pious posturing is pure humbug. Sam D Paterson, Wilson Mason & Partners, 3 Chandos Street, Coventry CV1 2JG







## KPMG to conduct audit probe on Euro Disney

By Alice Hewitson in Paris

The Euro Disney banks have appointed KPMG, the accounting and consulting group, to conduct an investigative audit of the troubled leisure company in preparation for the negotiations over its emergency financial restructuring.

KPMG in Paris yesterday confirmed that it had been appointed by the steering committee which represents the 60 international banks that hold Euro Disney's FF20.3bn (\$3.5bn) net debt.

A team of auditors and consultants from KPMG's French subsidiary has already started work on the audit, which is provisionally scheduled for completion in January.

The audit has been commissioned by the steering committee, which includes 11 of Euro Disney's banks and is headed

by Banque Nationale de Paris (BNP) and Banque Indosuez. It is intended to produce a thorough analysis of Euro Disney's present financial situation and its future capital requirements.

The banks last month decided to commission the audit after a meeting in Paris at which representatives of Walt Disney, the US entertainment company that owns 49 per cent of Euro Disney, presented their analysis of the Euro Disney's finances.

A senior French banker on the steering committee said the banks were keen to commission their own audit because of the "dramatic nature" of Euro Disney's difficulties. The group, which recently disclosed a FF5.3bn net loss for the year ended September, has such severe cash-flow problems that it is expected to run out of money by the

end of this year and turn to Walt Disney for support.

Once the audit is completed the steering committee will begin full scale negotiations with Euro Disney and its US parent. The Disney camp has already said that it hopes the banks will agree to halve Euro Disney's debt to roughly FF10bn through the combination of a debt-for-equity swap and a rights issue.

However, the final composition of the rescue package will be influenced by the impact of Euro Disney's share price on the value of the rights issue. The shares yesterday fell by FF0.86 to FF34.55 on concern about an interview with Mr Philippe Bourguignon, chief executive, in Time magazine in which he said that Euro Disney's future viability would be determined by the outcome of the rescue negotiations.

## Senior staff at Matav agree \$15m pay-off

By Nicholas Denton in Budapest

Senior managers at Matav, the Hungarian state telecoms group, have taken a leaf out of the western corporate practices book by awarding themselves capacious golden parachutes.

Western telecoms consortia, which are bidding for 30 per cent of Matav, said yesterday that 127 executives at the Hungarian group had tied-up severance packages worth around FF1.5bn (\$15m).

The disclosure comes embarrassingly close to the announcement expected tomorrow that a consortium of Deutsche Telekom of Germany and Ameritech of the US has won the stake in Matav on sale in what is eastern Europe's largest privatisation.

The Hungarian state holding company AV RT informed the competing consortia about the liability on Monday, the day before final offers were due.

Officials told bidders they had only recently discovered the severance arrangements themselves and it is believed that Matav management instituted the generous terms in the last few weeks.

AV RT promised to indemnify the successful consortium against the liability and discussed possible legal action against Matav executives.

The western group which wins Matav takes the right to nominate half of the company's operating committee. The group's current executives have been nervous about personal changes.

Under the terms of the contract, the western investor would not, however, have the power to remove Mr Pal Horvath, managing director of Matav.

The \$15m contingent liability is a relatively moderate sum by western standards and in comparison with the value of the 30 per cent stake in Matav which bids put at about \$800m.

But in Hungary a year's basic state pension is a hundredth of the redundancy payment now due to an average Matav executive.

## Curtain lifts on MGM's new era

Martin Dickson on the studio's attempt to restore its reputation

A pyrotechnically impressive series of explosions booms through the quiet Santa Monica office suite of Mr Frank Mancuso as the new chairman of troubled Metro-Goldwyn-Mayer shows a trailer for one of the film studio's biggest 1994 box office hopes.

The film, called *Blown Away*, is an action adventure, featuring rugged stars Jeff Bridges and Tommy Lee Jones, which pits the leader of a US big city bomb squad against an ingenious bomber.

It is one of a group of new releases which both Mr Mancuso and MGM's French owner, the Credit Lyonnais banking group, are relying on to restore the tarnished reputation of the loss-making studio.

"We now have a release schedule I'm getting real happy with, starting in May of 1994," says Mr Mancuso, who was appointed chairman by Credit Lyonnais last July as part of a broad plan to restore MGM to profit and then sell the studio.

The bank found itself the embarrassed owner of MGM in 1992 after foreclosing on loans it had made to Mr Giancarlo Piretti, the Italian financier. Credit Lyonnais has to sell MGM by 1997, because under US law a foreign bank which takes control of a US company must divest it within five years. It could, however, retain a minority stake.

Advised by Mr Michael Ovit, head of the talent brokerage Creative Artists Agency (CAA) and one of the most influential figures in Hollywood, the bank decided against a quick asset fire-sale. Instead, it is re-building MGM in the belief that a healthy studio will



Susan Sarandon (left) and Geena Davis of *Thelma and Louise*

allow it to recoup much more of its investment in the company, which tops \$2bn.

That judgment is already looking shrewd: the estimated value of Hollywood studios has risen sharply over the past three months.

As cable television and telecommunications companies jostle for position in preparation for an age of interactive, multi-media television, they are trying to snatch up film companies to ensure themselves a reliable supply of entertainment "software" to fill their many TV channels.

MGM is a shadow of its former self. However, as one of Hollywood's traditional big seven studios it retains a powerful brand name and an important, though neglected, US film distribution network. It also owns a one third share in United International Pictures, the London-based international distributor, and its film library still contains over 1,500 titles, ranging from the 16 James Bond movies to the hit comedy *Thelma and Louise*.

Credit Lyonnais has acted to restore financial faith in the business by increasing its credit line to \$400m to support

in short, MGM could make an attractive meal for a software-hungry communications group, provided Mr Mancuso can start turning out a steady stream of shows which perform well at the box office - and make money.

Mr Mancuso, 60, is a well-connected member of the Hollywood establishment, having spent 30 years with one of the industry leaders, Paramount Pictures, where he was chairman for seven years. He quit in 1991 after a row with the studio's parent, Paramount Communications.

He says the company's problems stem from the unsettling environment of a succession of owners and "tremendous neglect for many years" before the bank took control. This finally "led to a perception in the community [Hollywood] that it wasn't safe to make a movie at MGM".

Credit Lyonnais has acted to restore financial faith in the business by increasing its credit line to \$400m to support

expanded production; and by removing some \$820m of bank debt from its balance sheet, giving it a healthy debt to equity ratio of 1 to 2.

Mr Mancuso, for his part, has shaken up senior production management, appointing Mr Michael Marcus, a ex-CAA executive, as president of MGM Pictures and Mr John Calley, a former Warner Brothers executive, as head of United Artists, a famous but defunct studio owned by MGM which the company is reviving as a second source of films.

Mr Marcus is likely to produce films with a mass-market entertainment appeal, while Mr Calley will tend towards more cutting edge material. The group aims to increase its output of films to between 15 and 20 a year, and that, together with deals with producers Polygram and Carolco Pictures, will give it some 25-28 films a year to push through its distribution network, compared to 9 or 10 in recent years.

It is too soon to say whether the burst of activity will produce a run of hits, but on paper the studio has several promising titles for 1994.

Still, in an important display of confidence in MGM's creative abilities, cable television's Showtime Networks, a film channel, recently signed a seven-year deal for exclusive premium television rights to 150 new MGM movies.

MGM reckons the deal could be worth \$1bn. "It's a huge additional element of distribution," says Mr Mancuso. "It's as good as a deal as anyone has in the business." True or not, it is a long time since MGM has had the confidence to compare its films with the best in Hollywood.

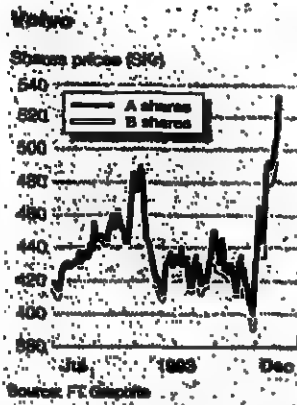
## Volvo shares hit record high

By Hugh Carnegie in Stockholm

Volvo's share price hit a record high yesterday as optimistic investors maintained a buying spree that has pushed the group's stock up smartly since it abruptly pulled out of a plan to merge with France's Renault two weeks ago.

The most-traded B share closed yesterday at SKr524 (\$62), up SKr15 from Thursday's close of SKr509 and 14 per cent ahead of its level of SKr458 just before the merger collapse was announced on December 2.

The advance was even greater when taken against the price of SKr407 on November 25 when it



Although stock market sentiment had for weeks favoured a breakdown of the merger, Volvo shares fell significantly in the days following the collapse, including SKr455 on December 5.

Many had already discounted the deal's failure and others were alarmed by the resignation statement of former chairman Mr Pehr Gyllenhammar. He predicted the end of an existing alliance with Renault and voiced doubts about Volvo's long-term ability to survive.

In the last 10 days, however, the earlier judgment that Volvo will produce better earnings on its own than in league with Renault, where profits are sagging, has resurged itself.

much stronger drive into the consumer arena by IBM, which in the past has displayed some clumsiness in the field. The move follows the recent promotion of Mr James Cunniff to become IBM's top corporate strategist. He was previously in charge of foreign business units - IBM PC,

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## IBM looks for marketing chief

By Martin Dickson in New York

International Business Machines is understood to be looking for a top marketing executive from outside the group to run two of its units making consumer products. The executive will spearhead a

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	Home 15	6.00	6.00	5.00	5.00	100,000	20 days withdrawal limit, 10% interest
	Home 20	5.00	5.00	5.00	5.00	100,000	3.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 25	4.00	4.00	5.00	5.00	100,000	4.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 30	3.00	3.00	5.00	5.00	100,000	3.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
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	Home 55	0.10	0.10	5.00	5.00	100,000	0.100-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 60	0.05	0.05	5.00	5.00	100,000	0.050-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 65	0.02	0.02	5.00	5.00	100,000	0.020-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 70	0.01	0.01	5.00	5.00	100,000	0.010-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 75	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 80	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 85	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 90	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 95	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 100	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 105	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 110	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 115	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 120	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 125	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 130	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 135	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 140	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 145	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 150	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 155	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 160	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 165	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 170	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000-50.000-55.000-60.000-65.000-70.000-75.000-80.000-85.000-90.000-95.000-100.000
	Home 175	0.00	0.00	5.00	5.00	100,000	0.000-10.000-15.000-20.000-25.000-30.000-35.000-40.000-45.000



## COMMODITIES AND BOND PRICES

## WEEK IN THE MARKETS

## Cocoa slips but bulls undismayed

Cocoa prices wilted under the heat of heavy speculative selling towards the end of the week, although analysts remained bullish about the market's longer term prospects.

After sustaining a £32 fall to \$899 a tonne on Thursday the London Commodity Exchange's March futures position yesterday broke through a technical support area around the \$980 mark as selling by a US commission house and a UK broker snowballed into a full-scale bear run. The next support area, at \$965 a tonne, was tested, but after a brief dip to \$963 a tonne the price bounced to \$967 a tonne at the close, down \$89 on the week.

The peaceful transition of power this week in the Ivory Coast, the biggest cocoa producer, following the death of veteran President Felix Houphouët-Boigny, had removed one factor that had been helping the market to hold on to recent gains. And sellers received further encouragement from indications that the Ivorians might market next year's mid-crop - harvested between April and June and amounting to about 15 per cent of the total - immediately, rather than with the main crop, as they did this year.

Traders said there was also some profit-taking this week ahead of the publication at the end of the year of European Union report that could recommend the use of more cocoa butter substitutes in the manufacture of chocolate.

Mr Lawrence Eagles, commodity analyst at London broker GNI, said he was still a "long-term bull towards cocoa" but thought the market had "got a bit ahead of itself and attracted a lot of speculative interest". It could fall to about \$900 a tonne, he said, but there remained strong buying interest.

The LCE coffee futures

market had a tranquil week, with prices locked in a narrow trading range. By yesterday's close the March position had surrendered an earlier \$13 rise to end the week \$3 down on balance at \$1,264 a tonne.

London Metal Exchange contracts built on last week's strong gains on Monday but then succumbed to a heavy bout of profit-taking that left most with net losses on the week.

Zinc traders appeared to put a mildly bullish construction on reports that weekend talks on plans for co-operatively financed European production cuts, though inconclusive, were "encouraging".

But, ironically, Tuesday

brought news that the Netherlands' Budel smelter, which had seemed doomed to closure because of environmental problems, had been saved by an eleven-hour deal with national and provincial governments allowing the storage of hazardous, cadmium-containing waste. Budel supplies about 5 per cent of the western world's zinc.

That day saw a sudden reversal in the fortunes of the zinc market, the three months price ending a six-day, \$90-a-tonne advance with a \$37 fall to \$956.50 a tonne. But that fall could be mainly attributed to the sudden evaporation of the general bullish sentiment that had been pervading the LME, and in particular to a sudden sell-off in the aluminium market after a big rise in LME warehouse stocks was reported on Tuesday.

The three months price of zinc edged up \$1 over the past two days to end \$90.75 down on balance at \$987.50 a tonne; while the aluminium price bounced from a mid-week low of \$1,087.50 to close yesterday at \$1,114.50 a tonne, down \$23.25 on the week.

Richard Mooney

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 1033.5-94.5 1114-15

Previous 1076-77 1077-78

High/Low 1085.5 1119/1105

AM Official 1085.5-86 1106-84.5

Kerb close 1114-15

Open int. 273,518

Total daily turnover 32,381

ALUMINIUM ALLOY (\$ per tonne)

Cash 972-74 995-97

Previous 962-64 899-96

High/Low 988-82 995-70

AM Official 988-82 995-1000

Kerb close 995-1000

Open int. 2,866

Total daily turnover 555

LEAD (\$ per tonne)

Cash 487-68 480.5-91.5

Previous 489.5-70.5 483-84

High/Low 489.5-70.5 488-476

AM Official 489.5-70.5 488-476

Kerb close 488-476

Open int. 33,382

Total daily turnover 45,818

NICKEL (\$ per tonne)

Cash 5290-90 5340-45

Previous 5290-90 5340-45

High/Low 5290-90 5340-45

AM Official 5290-90 5340-45

Kerb close 5340-45

Open int. 49,239

Total daily turnover 10,458

TIN (\$ per tonne)

Cash 4795-800 4945-50

Previous 4770-80 4920-30

High/Low 4795-80 4945-50

AM Official 4795-80 4945-50

Kerb close 4945-50

Open int. 19,008

Total daily turnover 6,113

ZINC, special high grade (\$ per tonne)

Cash 985.5-99.5 987-88

Previous 985.5-99.5 987-88

High/Low 985.5-99.5 987-88

AM Official 985.5-99.5 987-88

Kerb close 987-88

Open int. 89,883

Total daily turnover 14,245

COPPER, grade A (\$ per tonne)

Cash 1723.5-47.5 1748.5-47

Previous 1723.5-47.5 1748.5-47

High/Low 1723.5-47.5 1748.5-47

AM Official 1723.5-47.5 1748.5-47

Kerb close 1748.5-47

Open int. 212,761

Total daily turnover 17,545

LME A&M Official 1/25 mmt 1,480

LME Closing 2/5 rate 1,480

Sett 1/10 3 mmt 1,475 2 mmt 1,474 1 mmt 1,473

HIGH GRADE COPPER (COMEX)

Cash 1723.5-47.5 1748.5-47

Previous 1723.5-47.5 1748.5-47

High/Low 1723.5-47.5 1748.5-47

AM Official 1723.5-47.5 1748.5-47

Kerb close 1748.5-47

Open int. 212,761

Total daily turnover 17,545

LME A&M Official 1/25 mmt 1,480

LME Closing 2/5 rate 1,480

Sett 1/10 3 mmt 1,475 2 mmt 1,474 1 mmt 1,473

HIGH GRADE COPPER (COMEX)

Cash 1723.5-47.5 1748.5-47

Previous 1723.5-47.5 1748.5-47

High/Low 1723.5-47.5 1748.5-47

AM Official 1723.5-47.5 1748.5-47

Kerb close 1748.5-47

Open int. 212,761

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HIGH GRADE COPPER (COMEX)

Cash 1723.5-47.5 1748.5-47

Previous 1723.5-47.5 1748.5-47

High/Low 1723.5-47.5 1748.5-47

AM Official 1723.5-47.5 1748.5-47

Kerb close 1748.5-47

Open int. 212,761

Total daily turnover 17,545

LME A&M Official 1/25 mmt 1,480

LME Closing 2/5 rate 1,480

Sett 1/10 3 mmt 1,475 2 mmt 1,474 1 mmt 1,473

HIGH GRADE COPPER (COMEX)

Cash 1723.5-47.5 1748.5-47

Previous 1723.5-47.5 1748.5-47

High/Low 1723.5-47.5 1748.5-47

AM Official 1723.5-47.5 1748.5-47

Kerb close 1748.5-47

Open int. 212,761

Total daily turnover 17,545

LME A&M Official 1/25 mmt 1,480

LME Closing 2/5 rate 1,480

Sett 1/10 3 mmt 1,475 2 mmt 1,474 1 mmt 1,473

HIGH GRADE COPPER (COMEX)

Cash 1723.5-47.5 1748.5-47

Previous 1723.5-47.5 1748.5-47

High/Low 1723.5-47.5 1748.5-47

AM Official 1723.5-47.5 1748.5-47

Kerb close 1748.5-47

Open int. 212,761

Total daily turnover 17,545

LME A&M Official 1/25 mmt 1,480

LME Closing 2/5 rate 1,480

Sett 1/10 3 mmt 1,475 2 mmt 1,474 1 mmt 1,473

HIGH GRADE COPPER (COMEX)

Cash 1723.5-47.5 1748.5-47

Previous 1723.5-47.5 1748.5-47

High/Low 1723.5-47.5 1748.5-47

AM Official 1723.5-47.5 1748.5-47

Kerb close 1748.5-47

Open int. 212,761

Total daily turnover 17,545

LME A&M Official 1/25 mmt 1,480

LME Closing 2/5 rate 1,480

Sett 1/10 3 mmt 1,475 2 mmt 1,474 1 mmt 1,473

## Precious Metals continued

COMEX (100 Troy oz; \$/troy oz)

Cash 387.4 +1.4 387.5 385.4 643 546

Previous 387.5 +1.5 388.0 385.5 643 546

High/Low 387.5 +1.5 388.0 385.5 643 546

AM Official 387.5 +1.5 388.0 385.5 643 546

Kerb close 387.5 +1.5 388.0 385.5 643 546

Open int. 387.5 +1.5 388.0 385.5 643 546

Total daily turnover 387.5 +1.5 388.0 385.5 643 546

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Cash 387.5 +1.5 388.0 385.5 643 546

Previous 387.5 +1.5 388.0 385.5 643 546

High/Low 387.5 +1.5 388.0 385.5 643 546

AM Official 387.5 +1.5 388.0 385.5 643 546

Kerb close 387.5 +1.5 388.0 385.5 643 546

Open int. 387.5 +1.5 388.0 385.5 643 546

Total daily turnover 387.5 +1.5 388.0 385.5 643 546

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Cash 127.0 +1.30 127.0 125.0 125 32

Previous 127.0 +1.30 127.0 125.0 125 32

High/Low 127.0 +1.30 127.0 125.0 125 32

AM Official 127.0 +1.30 127.0 125.0 125 32

Kerb close 127.0 +1.30 127.0 125.0 125 32

Open int. 127.0 +1.30 127.0 125.0 125 32

Total daily turnover 127.0 +1.30 127.0 125.0 125 32

SILVER COMEX (100 Troy oz; \$/troy oz)

Cash 501.7 +0.5 501.5 497.0 206 34

Previous 501.7 +0.5 501.5 497.0 206 34

High/Low 501.7 +0.5 501.5 497.0 206 34

AM Official 501.7 +0.5 501.5 497.0 206 34

Kerb close 501.7 +0.5 501.5 497.0 206 34

Open int. 501.7 +0.5 501.5 497.0 206 34

Total daily turnover 501.7 +0.5 501.5 497.0 206 34

ENERGY

CRUDE OIL NYMEX (42,000 US gal; \$/barrel)

Cash 14.18 -0.05 14.28 14.08 14.12 34,931

Previous 14.18 -0.05 14.28 14.08 14.12 34,931

High/Low 14.18 -0.05 14.28 14.08 14.12 34,931

AM Official 14.18 -0.05 14.28 14.08 14.12 34,931

Kerb close 14.18 -0.05 14.28 14.08 14.12 34,931

Open int. 14.18 -0.05 14.28 14.08 14.12 34,931

Total daily turnover 14.18 -0.05 14.28 14.08 14.12 34,931

HEATING OIL NYMEX (42,000 US gal; \$/barrel)

Cash 14.18 -0.05 14.28 14.08 14.12 34,931

Previous 14.18 -0.05 14.28 14.08 14.12 34,931

High/Low 14.18 -0.05 14.28 14.08 14.12 34,931

AM Official 14.18 -0.05 14.28 14.08 14.12 34,931

Kerb close 14.18 -0.05 14.28 14.08 14.12 34,931

Open int. 14.18 -0.05 14.28 14.08 14.12 34,931

Total daily turnover 14.18 -0.05 14.28 14.08 14.12 34,931

GAS OIL NYMEX (42,000 US gal; \$/barrel)

Cash 14.18 -0.05 14.28 14.08 14.12 34,931

Previous 14.18 -0.05 14.28 14.08 14.12 34,931

High/Low 14.18 -0.05 14.28 14.08 14.12 34,931

AM Official 14.18 -0.05 14.28 14.08 14.12 34,931

Kerb close 14.18 -0.05 14.28 14.08 14.12 34,931

Open int. 14.18 -0.05 14.28 14.08 14.12 34,931

Total daily turnover 14.18 -0.05 14.28 14.08 14.12 34,931

WHEAT (100 bushels; \$/bushel)

Cash 371.4 -37.34 389.4 371.4 940

Previous 371.4 -37



CURRENCIES AND MONEY

MARKETS REPORT

D-Mark up

With the Bundesbank council meeting out of the way and only a handful of economic releases in the next two weeks, most currencies drifted sideways as traders waited for the year-end positions ahead of the year-end, writes *Conner Middleton*.

Following the Bundesbank's decision to leave its interest

rates unchanged, the US dollar continued slipping against the D-Mark, breaking technical support at DM1.7050 and dropping as low as DM1.7025. The dollar was also depressed by the fact that central banks were selling dollars as part of their reserve management operations. It ended in London at DM1.7045, down from

DM1.7055 on Thursday. The dollar continued to firm against the Japanese yen, however, hitting a high of ¥110.20. It finished at ¥110.10, up from ¥109.75 at Thursday's close.

"Having breached technical resistance at ¥110, the dollar could push towards ¥112 towards year-end," said Mr Michael Burke, an economist with Citibank.

Unlike many economists who expect the dollar to rally against the D-Mark in 1994, Mr Burke said he expects it to end the year around DM1.65. That compares with a market average 12-month forecast of around DM1.50, although some economists are calling for a rate as high as DM1.50 by the end of 1994.

"It's astonishing - if everyone is so bullish on the dollar, why isn't it going up?" Mr Burke asked.

He expects the dollar to slip when the first quarter of 1994 shows that the US economy is

Dollar

DM per \$

1.73

1.72

1.71

1.70

1.69

1.68

1.67

1.66

1.65

1.64

1.63

1.62

1.61

1.60

1.59

1.58

1.57

1.56

1.55

1.54

1.53

1.52

1.51

1.50

1.49

1.48

1.47

1.46

1.45

1.44

1.43

1.42

1.41

1.40

1.39

1.38

1.37

1.36

1.35

1.34

1.33

1.32

1.31

1.30

1.29

1.28

1.27

1.26

1.25

1.24

1.23

1.22

1.21

1.20

1.19

1.18

1.17

1.16

1.15

1.14

1.13

1.12

1.11

1.10

1.09

1.08

1.07

1.06

1.05

1.04

1.03

1.02

1.01

1.00

0.99

0.98

0.97

0.96

0.95

0.94

0.93

0.92

0.91

0.90

0.89

0.88

0.87

0.86

0.85

Yen per \$

111

110

109

108

107

106

105

104

103

102

101

100

99

98

97

96

95

94

93

92

91

90

89

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-117



## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Telford system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 53(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. † Bargains done the previous day.

## British Funds, etc

Treasury 13% 2002/02 - 5140  
 Exchange 10% 2002 - 5125  
 Guaranteed Export Finance Corp PLC 12% 2002 - 5140  
 Guaranteed Export Finance Corp PLC 12% 2002 - 5140

## Corporation and County Stocks

London County 2 1/2% 2002/02 - 5140  
 Birmingham City Council 1 1/2% 2002 - 5140  
 Manchester City Council 1 1/2% 2002 - 5140  
 Reading City Council 1 1/2% 2002 - 5140  
 Reading City Council 1 1/2% 2002 - 5140

## UK Public Bonds

Government of the United Kingdom 10% 2002 - 5140

## Foreign Stocks, Bonds, etc

(coupons payable in London)

Guinness (London) 10% 2002/02 - 5140

Guinness (London) 10% 2002/02 - 5140

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## AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (871) 873-4378 for more details.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

## OTHER UK UNIT TRUSTS



**FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

ISLE OF MAN (REGULATED)									
Company	Assets	Liabilities	Equity	Income	Expenses	Profit	Loss	Ratio	Notes
Isle of Man Finance Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Insurance Ltd	200.00	200.00	200.00	20.00	10.00	10.00		100%	
Isle of Man Bank Ltd	500.00	500.00	500.00	50.00	25.00	25.00		100%	
Isle of Man Trust Ltd	300.00	300.00	300.00	30.00	15.00	15.00		100%	
Isle of Man Development Ltd	150.00	150.00	150.00	15.00	7.50	7.50		100%	
Isle of Man Services Ltd	80.00	80.00	80.00	8.00	4.00	4.00		100%	
Isle of Man Holdings Ltd	120.00	120.00	120.00	12.00	6.00	6.00		100%	
Isle of Man Investments Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Finance Group Ltd	180.00	180.00	180.00	18.00	9.00	9.00		100%	
Isle of Man Insurance Group Ltd	250.00	250.00	250.00	25.00	12.50	12.50		100%	
Isle of Man Bank Group Ltd	600.00	600.00	600.00	60.00	30.00	30.00		100%	
Isle of Man Trust Group Ltd	350.00	350.00	350.00	35.00	17.50	17.50		100%	
Isle of Man Development Group Ltd	180.00	180.00	180.00	18.00	9.00	9.00		100%	
Isle of Man Services Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	220.00	220.00	220.00	22.00	11.00	11.00		100%	
Isle of Man Bank & Finance Ltd	550.00	550.00	550.00	55.00	27.50	27.50		100%	
Isle of Man Trust & Finance Ltd	320.00	320.00	320.00	32.00	16.00	16.00		100%	
Isle of Man Development & Finance Ltd	160.00	160.00	160.00	16.00	8.00	8.00		100%	
Isle of Man Services & Finance Ltd	85.00	85.00	85.00	8.50	4.25	4.25		100%	
Isle of Man Holdings & Finance Ltd	125.00	125.00	125.00	12.50	6.25	6.25		100%	
Isle of Man Investments & Finance Ltd	95.00	95.00	95.00	9.50	4.75	4.75		100%	
Isle of Man Finance & Insurance Group Ltd	240.00	240.00	240.00	24.00	12.00	12.00		100%	
Isle of Man Bank & Finance Group Ltd	580.00	580.00	580.00	58.00	29.00	29.00		100%	
Isle of Man Trust & Finance Group Ltd	340.00	340.00	340.00	34.00	17.00	17.00		100%	
Isle of Man Development & Finance Group Ltd	170.00	170.00	170.00	17.00	8.50	8.50		100%	
Isle of Man Services & Finance Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	230.00	230.00	230.00	23.00	11.50	11.50		100%	
Isle of Man Bank & Finance Ltd	560.00	560.00	560.00	56.00	28.00	28.00		100%	
Isle of Man Trust & Finance Ltd	330.00	330.00	330.00	33.00	16.50	16.50		100%	
Isle of Man Development & Finance Ltd	165.00	165.00	165.00	16.50	8.25	8.25		100%	
Isle of Man Services & Finance Ltd	85.00	85.00	85.00	8.50	4.25	4.25		100%	
Isle of Man Holdings & Finance Ltd	125.00	125.00	125.00	12.50	6.25	6.25		100%	
Isle of Man Investments & Finance Ltd	95.00	95.00	95.00	9.50	4.75	4.75		100%	
Isle of Man Finance & Insurance Group Ltd	250.00	250.00	250.00	25.00	12.50	12.50		100%	
Isle of Man Bank & Finance Group Ltd	590.00	590.00	590.00	59.00	29.50	29.50		100%	
Isle of Man Trust & Finance Group Ltd	350.00	350.00	350.00	35.00	17.50	17.50		100%	
Isle of Man Development & Finance Group Ltd	175.00	175.00	175.00	17.50	8.75	8.75		100%	
Isle of Man Services & Finance Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	235.00	235.00	235.00	23.50	11.75	11.75		100%	
Isle of Man Bank & Finance Ltd	565.00	565.00	565.00	56.50	28.25	28.25		100%	
Isle of Man Trust & Finance Ltd	335.00	335.00	335.00	33.50	16.75	16.75		100%	
Isle of Man Development & Finance Ltd	167.50	167.50	167.50	16.75	8.375	8.375		100%	
Isle of Man Services & Finance Ltd	85.00	85.00	85.00	8.50	4.25	4.25		100%	
Isle of Man Holdings & Finance Ltd	125.00	125.00	125.00	12.50	6.25	6.25		100%	
Isle of Man Investments & Finance Ltd	95.00	95.00	95.00	9.50	4.75	4.75		100%	
Isle of Man Finance & Insurance Group Ltd	255.00	255.00	255.00	25.50	12.75	12.75		100%	
Isle of Man Bank & Finance Group Ltd	595.00	595.00	595.00	59.50	29.75	29.75		100%	
Isle of Man Trust & Finance Group Ltd	355.00	355.00	355.00	35.50	17.75	17.75		100%	
Isle of Man Development & Finance Group Ltd	177.50	177.50	177.50	17.75	8.875	8.875		100%	
Isle of Man Services & Finance Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	240.00	240.00	240.00	24.00	12.00	12.00		100%	
Isle of Man Bank & Finance Ltd	585.00	585.00	585.00	58.50	29.25	29.25		100%	
Isle of Man Trust & Finance Ltd	345.00	345.00	345.00	34.50	17.25	17.25		100%	
Isle of Man Development & Finance Ltd	172.50	172.50	172.50	17.25	8.625	8.625		100%	
Isle of Man Services & Finance Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Group Ltd	260.00	260.00	260.00	26.00	13.00	13.00		100%	
Isle of Man Bank & Finance Group Ltd	600.00	600.00	600.00	60.00	30.00	30.00		100%	
Isle of Man Trust & Finance Group Ltd	360.00	360.00	360.00	36.00	18.00	18.00		100%	
Isle of Man Development & Finance Group Ltd	180.00	180.00	180.00	18.00	9.00	9.00		100%	
Isle of Man Services & Finance Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	245.00	245.00	245.00	24.50	12.25	12.25		100%	
Isle of Man Bank & Finance Ltd	590.00	590.00	590.00	59.00	29.50	29.50		100%	
Isle of Man Trust & Finance Ltd	350.00	350.00	350.00	35.00	17.50	17.50		100%	
Isle of Man Development & Finance Ltd	175.00	175.00	175.00	17.50	8.75	8.75		100%	
Isle of Man Services & Finance Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Group Ltd	265.00	265.00	265.00	26.50	13.25	13.25		100%	
Isle of Man Bank & Finance Group Ltd	605.00	605.00	605.00	60.50	30.25	30.25		100%	
Isle of Man Trust & Finance Group Ltd	365.00	365.00	365.00	36.50	18.25	18.25		100%	
Isle of Man Development & Finance Group Ltd	182.50	182.50	182.50	18.25	9.125	9.125		100%	
Isle of Man Services & Finance Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	250.00	250.00	250.00	25.00	12.50	12.50		100%	
Isle of Man Bank & Finance Ltd	600.00	600.00	600.00	60.00	30.00	30.00		100%	
Isle of Man Trust & Finance Ltd	360.00	360.00	360.00	36.00	18.00	18.00		100%	
Isle of Man Development & Finance Ltd	180.00	180.00	180.00	18.00	9.00	9.00		100%	
Isle of Man Services & Finance Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Group Ltd	270.00	270.00	270.00	27.00	13.50	13.50		100%	
Isle of Man Bank & Finance Group Ltd	610.00	610.00	610.00	61.00	30.50	30.50		100%	
Isle of Man Trust & Finance Group Ltd	370.00	370.00	370.00	37.00	18.50	18.50		100%	
Isle of Man Development & Finance Group Ltd	185.00	185.00	185.00	18.50	9.25	9.25		100%	
Isle of Man Services & Finance Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	255.00	255.00	255.00	25.50	12.75	12.75		100%	
Isle of Man Bank & Finance Ltd	605.00	605.00	605.00	60.50	30.25	30.25		100%	
Isle of Man Trust & Finance Ltd	365.00	365.00	365.00	36.50	18.25	18.25		100%	
Isle of Man Development & Finance Ltd	182.50	182.50	182.50	18.25	9.125	9.125		100%	
Isle of Man Services & Finance Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Group Ltd	275.00	275.00	275.00	27.50	13.75	13.75		100%	
Isle of Man Bank & Finance Group Ltd	615.00	615.00	615.00	61.50	30.75	30.75		100%	
Isle of Man Trust & Finance Group Ltd	375.00	375.00	375.00	37.50	18.75	18.75		100%	
Isle of Man Development & Finance Group Ltd	187.50	187.50	187.50	18.75	9.375	9.375		100%	
Isle of Man Services & Finance Group Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Group Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Group Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Ltd	260.00	260.00	260.00	26.00	13.00	13.00		100%	
Isle of Man Bank & Finance Ltd	610.00	610.00	610.00	61.00	30.50	30.50		100%	
Isle of Man Trust & Finance Ltd	370.00	370.00	370.00	37.00	18.50	18.50		100%	
Isle of Man Development & Finance Ltd	185.00	185.00	185.00	18.50	9.25	9.25		100%	
Isle of Man Services & Finance Ltd	90.00	90.00	90.00	9.00	4.50	4.50		100%	
Isle of Man Holdings & Finance Ltd	130.00	130.00	130.00	13.00	6.50	6.50		100%	
Isle of Man Investments & Finance Ltd	100.00	100.00	100.00	10.00	5.00	5.00		100%	
Isle of Man Finance & Insurance Group Ltd	280.00	280.00	280.00	28.00	14.00	14.00		100%	
Isle of Man Bank & Finance Group Ltd	620.00	620.00	620.00	62.00	31.00	31.00		100%	
Isle of Man Trust & Finance Group Ltd	380.00	380.00	380.00	38.00	19.00	19.00		100%	



## FT MANAGED FUNDS SERVICE

FT Cytel Unit Trust Prices are available over the telephone. Call the FT Cytel Help Desk on (071) 873 4376 for more details.

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## AMERICA

## Dow climbs on triple-witching day

## Wall Street

US stocks were building solid gains yesterday morning, fuelled by a more optimistic outlook on interest rates and heavy activity related to the "triple witching" expiration of options and futures contracts, writes Frank McGuffee in New York.

By 1 p.m. the Dow Jones Industrial Average was 14.81 higher at 3,740.95, and the more broadly based Standard & Poor's 500 was up 1.73 at 483.07. In the secondary markets, the American SE composite was 1.15 ahead at 462.59, while the Nasdaq composite was 3.34 higher at 768.87.

Mexico City saw strong demand for Telcel lift the key index for a second straight day. By mid-session the IPC index had gained another 25.19 to 2,448.04. Telcel ADRs were up \$1 to \$62.75.

The triple-witching activity - triggered by the quarterly unwinding of options and futures contracts on stock indices, and options on individual stocks - lifted NYSE volume to 221m shares by 1 p.m. Advances led declines by 1,305 to 705.

The market's direction, which is often erratic under such circumstances, was set by a reassuring article on Federal Reserve policy in The Wash-

ington Post. It quoted unnamed senior Fed officials as dismissing the fears of Wall Street analysts that the central bank would boost short-term interest rates before unambiguous signs of inflation surfaced.

Their comments appeared to have had a calming effect on the bond market, which reacted with equanimity to more bullish news on the economy.

By midday, the inflation-sensitive 30-year government bond was a firmer at 99 1/8 in thin trading.

The latest piece of evidence suggesting strong fourth-quarter growth came from the Commerce Department, which said that November housing starts

had risen by 3.9 per cent in November to a seasonally adjusted rate of 1.43m, the highest level since February 1990.

The strong report, coupled with diminished concerns over the Fed's intentions, led to a broad trend of moderate gains.

Banking issues were given a particular boost from expiration-related trading. Citicorp was up 3/8 to \$36 1/8, Banc One 3/8 to \$39, Wachovia 3/8 to \$33 1/8 and SunTrust Banks 3/8 to \$30 1/8.

Chase Manhattan added 3/8 to \$34 1/8 after First Interstate agreed to acquire its Arizona operations for \$102m. First Interstate slipped 3/8 to \$63 1/8. Among individual stocks,

IBM was marked up \$1 1/8 to \$89 1/8 after Merrill Lynch lifted its estimate of the company's 1993 performance from break-even to earnings of 5 cents a share.

## Canada

TORONTO was higher at midday as gains in most sectors offset losses in mining issues.

The TSE 300 composite index was 9.13 higher at 4,225.30 in volume of 29.7m shares. Advancing issues led declines by 344 to 293, with 334 unchanged.

The metals and minerals index, down 43.89 to 3,568.23, was the only one of Toronto's 14 sub sectors to decline.

## Profits in perplexity for German shares in 1993

## David Waller on Frankfurt's bourse performance

The German stock market has been profitable but perplexing during the course of 1993.

Profitable, for as the year draws to its close, the DAX index of 30 leading shares looks set to close nearly 40 per cent higher than at the beginning of the year.

Perplexing, because the share price rises - which range from 20 per cent in the building and cement sector to 50 per cent for insurance companies - have often been decoupled from fundamentals.

"The companies in the worst state have been the best performers," comments Mr Tom Holmes, head of equity research at Schröder Mönchmeyer Hengst in Frankfurt. "I have been absolutely baffled by the differentiation between the performance of companies in the same sector."

He points out that in the topsy-turvy world of German equities, Volkswagen has outperformed the more resilient BMW. Viag has proved a better investment than the more robust RWE... and so on throughout the market.

The performance of the market as a whole has been underpinned by at least three broad positive factors.

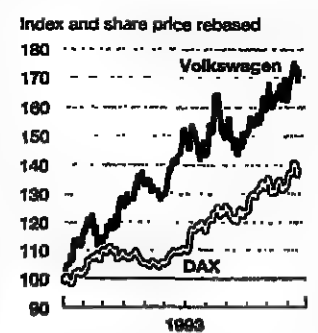
The first is that German interest rates, already down dramatically from their peak in the summer of 1992, will continue to fall in 1994. Kleinwort Benson, for example, expects the discount rate to fall from 5.75 per cent now to 4 per cent or below by the end of next year.

Disappointing data on money supply growth this week has done nothing to change this picture. M3, the Bundesbank's trusted measure of broad money, climbed at an annualised, seasonally adjusted rate of 7.2 per cent in November, up from 6.9 in October. But according to the Hypo-Bank, for one, inflation is set to drop towards the magic 2 per cent level by 1995, allowing the Bundesbank to carry on cutting rates.

The second support for the market comes from companies

moves to rationalise their costs. The recognition that costs must be cut - however damaging to the social aspect of Germany's social market economy - is widespread in German industry. Companies such as Volkswagen, Luft-hansa and Daimler-Benz,

## Germany



Source: Datastream

which are perceived to be the most aggressive in tackling costs, have been honoured with substantial price rises despite the dire earnings situation at each of the companies.

The third positive factor is the weight of money seeking to find a home in German equities. Much of the market's rise this year was because of purchases by cash-rich foreign institutions, especially US institutions, eager to correct their underweight position in the German market. Now, as the Bund market enters a consolidation phase, it may be that domestic investors will provide further impetus.

Taken together, these three factors have driven the market to a level where a great deal is being taken for granted. According to Kleinwort Benson, the DAX at its current level of 2,151.02 stands at a multiple of 26 times 1994 earnings. This is in spite of a 73 per cent increase in earnings in prospect next year, following a 47 per cent drop in 1993.

The cautious investor, undoubtedly, would reach the conclusion that the market is overvalued at these levels - but undue caution at any stage

in the past year would have been a recipe for missing out on large share price rises. Has anything changed now?

Mr Andrew Thomson, at Kleinwort Benson identifies a number of significant risks which - at some stage towards the end of the first quarter of next year - may bring the market's euphoria to an end.

Politics cannot be ruled out as a destabilising factor. There are at least 20 regional, national and European elections scheduled for next year in Germany. As Kleinwort notes, there are a number of smaller, regional elections in March and April which - as in Brandenburg earlier this month - may trigger protest votes from disillusioned voters.

Financial markets are likely to be upset by a surge in support for far-right parties or a deepening of the uncertainty surrounding the future of Chancellor Helmut Kohl's coalition government.

Another potential problem is that the impact of corporate rationalisation turns out to be less far-reaching than expected, exposing current valuations as excessively optimistic. A first indication of whether this is the case will emerge two or three months into next year when Germany's big industrial groups report their final figures for 1993.

This danger will be exacerbated if the economy recovers more quickly than expected: rationalisation is difficult to implement where the interests of the workforce come ahead of those of shareholders. It is only the severity of the current downturn that has forced management to attack costs and, if pressure relents, it is likely that relations between management and labour will revert to the comfortable pre-recession status quo that worked to the disadvantage of shareholders.

In the words of Mr Tom Holmes at SMH, the message to shareholders in Deutschland AG must be: "Hang on tight, keep your eyes closed - and your ears open."

## EUROPE

## News and comment spice senior bourses

News and comment continued to spice the technical preoccupations of the Paris and Frankfurt bourses yesterday, writes Our Markets Staff.

PARIS was led higher by futures buying, particularly by domestic investors, the cash market responding with a gain of 36.18, or 1.7 per cent in the CAC-40 index to 2,196.44. This left it just 0.1 per cent lower on the week, in turnover of FF8bn.

Michelin was one of the best performers of the day, rising FF6, or more than 3 per cent to FF199. Mr Christopher Will, of Lehman Brothers in London, said that the shares of Michelin and other European tyre-makers were responding to Thursday night's US news of a Goodyear increase of 3 per cent in downmarket replacement tyres - long awaited, and following price weakness in a very soft US replacement market in the second and third quarters of 1993.

On the downgrade, Euro Disney fell 85 centimes to FF24.55 after a report said that its banks had rejected a solution to its financing problems from its parent, Walt Disney, until an audit was carried out.

FRANKFURT fielded the expiry of DFB monthly and quarterly futures and options contracts with little pain for share prices, the DAX index

## FT-SE Actuaries Share Indices

Dec 17	THE EUROPEAN SERIES														
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close							
FT-SE Euro Stoxx 100	14145.51	14145.20	14157.57	14110.40	14118.77	14150.50	14116.05	14134.34							
FT-SE Euro Stoxx 200	14855.23	14855.28	14864.38	14877.28	14868.44	14879.38	14855.22	14867.73							
	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12										
FT-SE Euro Stoxx 100	14077.58	14025.40	14032.94	14103.03	14103.03	14151.81	14151.81								
FT-SE Euro Stoxx 200	14812.42	14767.37	14774.93	14839.39	14839.39	14877.77	14877.77								
Index values 100 (2010/01/04): Euro Stoxx 100 = 1400.00; Stoxx 200 = 1400.13; London Stoxx = 1414.63; Stoxx = 1483.74															



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## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Notes	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	99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Last-minute hitch delays Commons statement on industry's future

## British Gas revamps structure

By Robert Corzine  
and James Eiler

British Gas yesterday announced a sweeping corporate reorganisation to prepare its UK operations for future competition.

The changes will lead to the break-up of its traditional regional structure and create five specialised business divisions.

Mr Norman Blacker, director responsible for the UK gas business, said the plan would lead to "the most fundamental changes in organisation and culture... for more than 40 years".

The restructuring announcement was to have followed a government decision on the future of the gas industry. But Mr Michael Heseltine, trade and industry secretary, yesterday failed to make an expected statement to parliament before it rose for Christmas.

The government was thought to have reached agreement on the industry's future as early as Wednesday. But last-minute objections, said to have come from Mr Michael Portillo, the chief secretary to the Treasury, apparently delayed the announcement. The DTI said a decision might still be announced next week.

British Gas has made no secret of its frustration over the uncertainty that has surrounded the company since the Monopolies and Mergers Commission report on the industry was published in August. Mr Heseltine must decide whether to accept or modify MMC recommendations that British Gas' trading arm be sold off by 1997, followed within three to five years by the lifting of its monopoly in supplying 17m mainly residential users.

British Gas yesterday said the new structure, to be implemented next March and phased in over two years, could be "adapted" to any government decision.

The restructuring plan stems from a 1992 agreement with the Office of Fair Trading and a commitment to the government that British Gas would introduce greater transparency into its operations. It also conforms to an MMC recommendation that the company construct Chinese walls between the various operating groups to enhance competition.

British Gas' present structure has been criticised for allowing personal fiefdoms to develop in some of the regions.

The five new business units are:

- Public Gas Supply, which will cater to residential and small business users;

- Contract Trading, which will sell gas to industrial and commercial customers using more than 2,500 thermois;
- Transportation and Storage, through which gas will be shipped from shore terminals to meter outlets;
- Retailing, which will oversee a remodelled and re-styled network of shops selling gas appliances; and
- Service and installation of gas central heating.

Company officials say the restructuring will also make it possible to implement the 20,000 job cuts the company plans to make over the next three years.

The restructuring does not affect the exploration and production division or Global Gas, the other main international arm specialising in distribution and gas-fired electricity generation.

## Figures suggest 1m women given wrong pension advice

By Norma Cohen,  
Investments Correspondent

Nearly one million women who contracted out of the State Earnings Related Pension Scheme to invest in personal pensions might have been better off staying in the state scheme because they earn too little to benefit from tax incentives which make contracting out worthwhile.

Government statistics released by the Department of Social Security yesterday show that, in addition to unsuitable pension sales to these women, there may also have been widespread mis-selling to other personal pension holders.

The first demographic analysis of personal pension holders in Britain showed significant numbers of sales to those who cannot benefit from tax incentives. These

people may in fact be worse off if they contract out of SERPS because they have given up their rights to state benefits.

The data show that the tax rebates which have been a chief selling point contribute very little to the average personal pension. The median annual contribution from tax rebates for women was £205 per year, and for men £355.

Government statistics released yesterday also show that the greatest increase in personal pension sales in the 1991-93 fiscal year was to those who were 45 years or over at the time, and who would have been better off remaining in SERPS.

The Securities and Investments Board, the City's chief regulatory watchdog, has announced a sweeping review of all personal pensions sold to individuals who

have transferred out of their occupational schemes. The SIB commissioned a study by accountancy firm KPMG Peat Marwick which, after a sample review of files, found that there was clear evidence that nine out of 10 files contained too little information, suspect advice or both.

The SIB has said it also intends to review the sale of rebate-only pensions.

The government data represent the first comprehensive review of the categories of people who make up the UK's 5m personal pension holders.

It shows that a significant number of personal pensions - 18 per cent of the total - have been sold to those with no income, and another 7 per cent were sold to people earning under the £2,704 a year lower limit and did not have to pay national insurance.

## Metals group chief ousted

Continued from Page 1

week Deutsche Bank, a big shareholder in Metallgesellschaft as well as creditor, backed the company's line that the liquidity problems were temporary, caused by technical developments in the oil futures markets.

It was clear from yesterday's announcement that investigations undertaken by the banks in the meantime have uncovered far more serious problems.

The statement from the company cast little light on the scale of Metallgesellschaft's problems, saying that investigations to date had uncovered deficiencies in controls and management at MG Corp.

The investigations into MG Corp and other US subsidiaries would continue, Metallgesellschaft said, and it was likely that the provisional loss of DM347m (£137.6m) reported for the year to the end of September would have to be restated. Turnover for last year was DM25.5bn.

Deutsche Bank and Dresdner Bank, Germany's two biggest banks which own more than 10 per cent each of Metallgesellschaft, said they would continue to provide financial support.

THE LEX COLUMN

## Handling hot Metall

FT-SE Index: 3337.1 (+25.9)



Source: FT Equities

Just ten days ago, Mr Hilmar Koppar of Deutsche Bank advised people to be more relaxed about Metallgesellschaft. It is difficult to be so now. Seldom do German banks are virtually the entire top management from a company they effectively control. Seldom, too, does a supervisory board complain that management has deliberately withheld information. A special audit of the group's US activities, a revision of the latest annual accounts which showed a loss of DM347m, and explicit reference to the need for a capital restructuring all suggest problems extending beyond mere over-trading of US oil futures.

Two things stand in Metallgesellschaft's favour. First, it is difficult to imagine the banks allowing such an important company to go to the wall. Second, Mr Kajo Neukirchen, who they have brought in to run it, has a strong reputation as a trouble-shooter, having already sorted out KHD, Hoechst and Kugelfischer. But yesterday's statement shows that even the supervisory board has no clear idea of the task he faces.

Quite apart from the German recession, which has made Metallgesellschaft's expensive investment in pollution controls look singularly ill-timed, the omens are not good. Unlike other German companies, Metallgesellschaft refuses to break exceptional gains out of its profit figures. That raises doubts about the underlying returns from the extravagant acquisition programme of the late 1980s. To raise cash, Mr Neukirchen may be forced to sell off valuable assets like Lurgi and Badens, while the looming rights issue could be substantial. The market's initial inclination to treat the management change as a portent of recovery looks premature.

### UK markets

The bandwagon in the UK equity market seems unstoppable. Despite a profits warning from Fisons and £400m of write-downs and provisions from Trafalgar House, the FT-SE 100 still ended the week 78 points higher. Some of the gain reflects a squeeze on those institutions which held back ahead of the budget and are still trying to climb back on board. But the main impetus remains interest rates. With inflation subdued, the view is growing that rates may be cut not just in the new year, but again in the spring when tax increases start to bite.

Whether the Bank of England will

oblige is another matter. The recovery does not look weak enough to make a fresh cut urgent, and the latest German money supply data suggests continental cuts could be deferred. But as long as it can convince itself that rates are heading lower, the equity market could retain some steam. Cash is an unattractive alternative - as retail investors were reminded this week by fresh reductions in building society and National Savings rates. Only when the interest rate frenzy stops will the market have to worry about boring matters such as earnings and dividends. Then it will be time to remember that if low inflation holds back reported earnings, it will take even longer for cover to be restored to the point where dividends can grow in tandem.

### Building materials

The soft of interest rate cuts has intoxicated the building materials sector, stimulating a further 9 per cent outperformance against the market over the past three months. On Goldman Sachs' forecasts, the sector is now trading on 12.5 times 1993 earnings. That demonstrates a remarkable degree of far sightedness, leaving no room for error.

The main exception to the trend has been Redland, which has underperformed the sector by 7 per cent over the past three months. The news that finance director Mr Gerald Cartlett is leaving to join Grand Metropolitan has not helped Redland's share price - not, curiously, that of GrandMet. Furthermore, Redland's tax charge will inexorably rise if UK earnings do not rebound strongly enough to resolve its

ACT problem. There are also concerns about the sustainability of demand in the west German housing market. Changes to tax incentives may suck forward sales of Redland's roofing tiles into 1994, but demand could fall sharply thereafter.

The big cloud over the whole sector's earnings prospects is the difficulty of making price rises stick in a disinflationary climate. Pilkington has already had to unwind an 8 per cent price rise for glass. Downward price pressure will continue for many products as mainland European manufacturers divert surplus stocks into the UK. If there are any wobbles in building materials shares, the construction sector could gain. Contracting companies benefit later in the cycle. But at least they are trading on comparatively meagre multiples.

### Asda

Mr Archie Norman may get quiet satisfaction from knowing that his gloomy predictions about the UK grocery sector have proved much more accurate than the sunny forecasts coming from his older rivals. But that will prove cold comfort unless Asda rings up higher sales as a result of his analysis. On that score, there is room for only modest encouragement about Asda's long-term future, despite its strong half-year numbers.

A 9 per cent rise in same store sales, with almost no benefit from price inflation, is an impressive achievement; the 14 per cent rise in operating profits even more so. The new Asda team continues to make textbook progress, lifting staff productivity, improving product mix, strengthening the distribution chain and renovating the older stores. How satisfying it must be to exploit under-utilised assets, especially when coming from such a low profits base.

This renewal programme has a fair bit further to run. But at some point, the recovery momentum will stall. Asda will then have to prove it has a trading format capable of growing in the 1990s. The launch of the Deas discount chain is hopeful. The infusion of £700m of equity also provides the financial muscle for Asda to fund its ambitions. But Asda can no longer rely on its competitors running their businesses as though they lingered in the 1980s. J. Sainsbury's latest price offensive shows how determined the market leader is to claw back Asda's recent advantage. The market will grow far tougher from here on in.

## UK shares hit another record as hopes of growth are boosted

By Peter Marsh and Peter John

Shares in London closed last night at another record high, fuelled by economic statistics during the week which boosted hopes of steady economic growth next year with inflation staying weak.

UK government bonds - or gilts - also continued their good run, with prices driven up by low inflationary pressures and expectations of a cut in UK interest rates early in the new year.

The mood on the UK markets was buoyed by firm trends on continental European bourses, with both Paris and Frankfurt closing higher on speculation that the German Bundesbank would ease monetary policy before the spring.

The FT-SE 100 index of leading

stocks climbed 25.9 to finish at 3,337.1, for a 78-point rise on the week. Since the day before the Budget on November 30, share prices have gained 7 per cent.

In the second half of the year, the index - after falling slightly between January and June - has so far climbed 17 per cent. Investors have in recent weeks given short shrift to theories that the large tax rises due next April will harm the recovery.

Long dated gilts climbed 1/4 point yesterday for a rise of 1 1/2 points on the week and about 7 points since the Budget. Yesterday's rise in UK government bonds was helped by strong buying interest from continental Europe and the US, where investors are impressed about the UK's relatively good economic prospects for next year compared

with other parts of Europe. The week's gains on share and bond markets were helped by underlying retail-price inflation in the UK hitting a 26-year low, a sharp drop in unemployment to 2.8m and indications that steady output growth would continue.

Mr George Magnus, international economist at S.G. Warburg Securities, the London stockbroker, said the "benign" news of low UK inflation had convinced the markets that bank base rates, now at 5.5 per cent, could be cut to 4.5 per cent by mid-1994.

Much of the stock market rise yesterday was due to frenetic technical trading linked to the expiry of the December FT-SE 100 futures contract.

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See Lex

## Annenberg

Continued from Page 1

school every day, while another estimated that 160,000 children skip school every day because they are afraid. However, some find their schools a haven from the violence that plagues many cities.

Mr Annenberg, whose fortune was built on the Triangle magazine publishing empire sold to Mr Rupert Murdoch for \$35m five years ago, earlier this year gave \$120m each to the University of Pennsylvania and the University of Southern California, and \$100m to the Peddie School, a preparatory school which he attended.

**FT WEATHER GUIDE**

**Europe today**

An active depression over the Atlantic will continue to draw milder air into the continent. France, the Benelux and Germany will have unseasonably high afternoon temperatures from 10C to 13C. Moderate to strong winds from the south-west will increase. Western coastal areas of the UK and the southern coast of Norway, will have south to south-westerly gales with a risk of strong gales over open waters of the North Sea. It will still be quite cold in Scandinavia but milder and moister air will enter the south later today accompanied by widespread snow. Sunshine will be plentiful across Italy, Greece and most of the Mediterranean. However, cloud and rain will occur in western Spain and Portugal.

**Five-day forecast**

It will be windy over the UK with a risk of strong north-westerly gales over Scotland by Sunday. Colder and unstable air will flow into north-western Europe causing several showers, many of sleet, hail or thunder. The cold west-north-westerly air flow will cause significant snow over the Alps in the beginning of next week. It will remain settled over the Mediterranean with abundant sunshine.

**TODAY'S TEMPERATURES**

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	sun 28	Frankfurt	cloudy 10	Malta	cloudy 18
Accra	sun 28	Geneva	cloudy 9	Manchester	showers 12
Algiers	sun 28	Cologne	cloudy 8	Marina	sun 28
Amsterdam	sun 18	Dallas	sun 26	Melbourne	sun 22
Athens	sun 17	Dakar	sun 26	Mexico City	sun 20
B. Aires	sun 30	Dhaka	sun 25	Milan	sun 1
Bham	sun 12	Dubai	sun 25	Montreal	sun 6
Bangkok	sun 33	Dublin	sun 25	Moscow	sun 1
Buenos Aires	sun 14	Edinburgh	sun 12	Munich	cloudy 7
Beijing	cloudy 3	Faro	cloudy 17	Nairobi	cloudy 25
				Nagasaki	sun 15
				Nassau	sun 22
				New York	cloudy 7
				Nice	sun 18
				Osaka	sun 11
				Paris	cloudy 11
				Perth	sun 38
				Prague	cloudy 5
				Rangoon	cloudy 16
				Reykjavik	cloudy 6
				Rio	sun 24
				Riyadh	sun 15
				Rome	sun 13
				S. Francisco	sun 13
				Seoul	sun 1
				Singapore	sun 31
				Stockholm	cloudy -1
				Strasbourg	cloudy 9
				Sydney	sun 27
				Taipei	sun 21
				Tokyo	sun 8
				Toronto	sun 4
				Turkey	sun 18
				Vancouver	cloudy 8
				Venice	sun 9
				Vienna	cloudy 7
				Warsaw	cloudy 3
				Washington	sun 9
				Wellington	cloudy 16
				Winnipeg	cloudy -6
				Zurich	cloudy 8

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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# Weekend FT

SECTION II

Weekend December 18/December 19 1993

## A life of sex, food and fighting

Cock-fighting is legal, with a mass following in parts of the world. Nick Woodsworth meets breeders and punters

**B**obby Fernandez, Rolly San Juan and I were sitting at the back of the Country Chicken Restaurant in Pasonanca, a suburb of Zamboanga City in the south Philippines. Bobby's wife owns the place, so we were doing pretty much as we pleased: telling stories, helping ourselves from a bottle of Johnny Walker sitting on the table, and working our way through huge plates of fried chicken.

Rolly is a columnist for the *Zamboanga Morning Times*, and gets around. He is a keen political observer, an inveterate sports addict, a gambler, an admirer of women and a collector of anecdotes. He was telling us about the first time he had seen the infamous "Henny" in action in a cock-fight in Cebu. A new breed of fighting cock imported from the US, the Henny had taken Filipino cock breeders,

punters, and especially the cocks themselves, by surprise.

"The local champion struts into the pit, and what does he see?" said Rolly with a smile. "Not the usual opponent with neck flexed and hackles bristling, but what appears to be a docile grey hen staring at him with love-struck eyes."

"Naturally he completely forgets that he is a total killing machine, strolls around behind the Henny, and prepares to do what cocks do best after fighting. And then - POW! - like lightning the Henny turns round, sidesteps him, and stinks three inches of steel into his ribcage. The champ keels over stone dead. The Henny is not a hen at all, but a cock bred by the Americans to look like a hen."

Bobby Fernandez laughed, but he and Rolly sat mulling over the story, a perfectly true one, with more than casual interest. It is not because his wife runs a chicken restaurant that Bobby will sit up at night after night with friends discussing the finer points of man's feathered friend. Like Rolly, like thousands of inhabitants of Zamboanga, like millions of enthusiasts all over the Philippines archipelago, Bobby is a "cocker" - a keeper, trainer and fighter of game cocks.

Basketball may be the Philippines' national sport, but cock-fighting is its national passion. Many Filipinos, even those living in urban areas, keep a few fighting cocks simply for the pleasure of having them around. Rolly keeps a dozen, and fights them in a local Zamboanga cockpit on Sundays. But he spends a good deal of time with them every day, holding and stroking them, talking to them, admiring them - Filipinos, he assured me, are often more interested in their cocks than their wives.

Bobby Fernandez is in a different category altogether. As we chatted in the restaurant late into the night, we were not alone; on the broad green lawns that surrounded us outside, more than 80 fine fighting cocks sat roosting on perches in the dark. On Bobby's breeding and training farm in La Paz, 3,000 feet up in rugged, jungle mountains behind Zamboanga, were 200 more. Fighting cocks are not just a consuming passion for Bobby, but a profitable living as well.

In most parts of the world cock-fighting is regarded as a cruel and barbaric sport, and is banned. Although highly popular in England from medieval times, it was outlawed by Queen Victoria in 1849. In the western hemisphere today cock-fighting is legal only in Mexico, Panama, Ecuador, Guatemala and certain US states generally regarded by the liberal estab-

lishment as "redneck" - Alabama, Mississippi, Louisiana, Oklahoma, and the like. Even there the sport is conducted behind closed doors and far from prying and critical eyes.

Nor, juridically at least, is cock-fighting any better regarded in the East. Although illicitly practised in Thailand, Malaysia, Indonesia, Vietnam and much of the rest of Asia, only in the Philippines does it have a legal, mass following.

Here it is a thriving, multi-million dollar industry supported by enthusiasts ranging from rickshaw drivers to federal congressmen. In the Manila area alone there are more than 20 cock-pits, some of them seating 15,000 spectators, hosting more than 30,000 fights a year. Cock-fighting is actively supported by the government, at times even

like cock-fighting.

I say all this by way not of disparagement, but of compliment. But I "enjoy" sitting round wasting time and talking about inconsequential things such as cocks that look like hens. It is an enormous relief from the rest of the Asian continent's obsessive and increasingly unbalanced concern with economic growth. In Singapore, for heaven's sake, gum chewing has become illegal because it is messy and unproductive.

I am no more pro-bloodsports than I am pro-gum-chewing. But I would rather live under a government that permits cock-fighting than one that feels threatened by Jucy Fruit. And after you have met a cock or two, the moral questions that surround the sport seem to fade in significance.

"There are three things that cocks like more than anything in the world," Bobby explained to me as we drove in his jeep across the jungle lowlands towards La Paz. "They are food, sex, and fighting." So far cocks sounded pretty much like human beings to me, and I said so.

"Yes, but the thing about the cock is that given the choice of the three, he will choose fighting every single time."

Perhaps there, I had to admit, was the difference with human beings - given the choice, a lot of us would spend a great deal of time dickering over the decision. But not the cock. "It is territoriality, it is the protection of his hens," Bobby said. "The fighting instinct is so deep he cannot help himself. What we do at La Paz is provide the perfect environment of food and sex - it is the cock himself who develops his fighting form to perfection."

As training camps go, it sounded pretty good to me.

And Bobby was not exaggerating. Two and a half hours later, after having climbed 3,000 feet over some of the steepest and roughest dirt roads I have ever seen, we arrived in what could only be described as cock heaven.

Far below lay the heat and high humidity of the tropical lowlands, the stink, noise, and dirt of urban Zamboanga. Here, in the cool and misty uplands, was a hidden valley surrounded by tropical hardwood forests, stands of giant bamboo, groves of pine and banana trees. And as far as one could see up the valley itself, tethered to roosts spread evenly over a smooth undulating surface of meticulously kept lawns, were fighting cocks - not dozens, but hundreds, but thousands of cocks, each strutting, crowing, preening and thinking

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### The Long View / Barry Riley

## Profits of gloom



In the London stock market, 1993 is positively roaring towards its close. Since the Budget on November 30, the All-Share index has added 6 per cent and the total return for the full year (capital gain plus gross dividend income) is now 25 per cent.

But the star turn in the UK securities markets has been provided by gilts. The yields on long-dated UK government securities have tumbled from 8.75 to 6.5 per cent and, in the extreme case of the irredeemables (such as War Loan) the total return has been 41 per cent.

Looking back at what I was saying in this column at the beginning of 1993, it is clear that I was too cautious. Surveying the equity market, I judged that large capitalisation stocks such as those in the FTSE-100 index would find it hard to make progress in 1993, although there would be money to be made in recovery stocks and second-liners.

Certainly, the smaller stocks did their stuff - the new SmallCap index has achieved a return of 36 per cent - but even the market leaders managed a decent turn of speed in the second half-year.

Nevertheless, I got some things right. I was correct to believe that the prevailing economic consensus - which, a year ago, suggested no more than 1 per cent growth for the UK in 1993 - was overdoing the pessimism. Growth will certainly turn out to be 2 per cent, and perhaps 2.5 per cent or more when the final numbers are added up.

I also resisted the common tendency to be too pessimistic about gilts: at least two of the big securities houses (tactfully, I won't name them) were forecasting that gilt yields would have to go to 10 per cent before the government would be able to finance its £500bn borrowing requirement. The gilt problem could be solved, I said in January, so long as short-term interest rates were cut; the government were to embrace so-called "underfunding" (finance through banks); and, most importantly,

if the government were to raise taxes so as to be able to promise a lower borrowing requirement in 1994-95.

Eventually, the government got all of this right, although the faltering approach of Norman Lamont, then the chancellor of the exchequer, in the spring meant that the main positive response came only in the second half of the year. Indeed, by the middle of it, the market leaders in the Footsie index were showing scarcely any progress.

By then, however, I was changing my forecasts, recognising the possibility of a liquidity-driven surge in the market. The second half of the year, I said at the beginning of July, would prove more exciting, at least until US interest rates were raised late in the year. Of course, the tightening by the Federal Reserve has not yet happened so the background has remained serene.

Two factors, global and local, have given new impetus to London's markets in the past few months. First, money flooding out of the US at the rate of \$100bn a year from international mutual funds and diversifying pension funds has sent nearly all the bond and stock markets around the globe much higher (the exception being the Tokyo equity market).

His surplus of international liquidity has rendered positively laughable all those concerns early in the year that the British government, through its excessive demands for finance, might place the domestic capital market under undue pressure. Domestic and foreign investors have not only lapped up all the gilts - they have eagerly swallowed £12bn of UK equity issues as well.

Secondly, the positive domestic factor has been the adoption of a tough fiscal policy by the government. It was in April that I first began to dwell on the possibility of a gilt-edged bonanza as yields tumbled from the then ruling 8.4 per cent to perhaps 6 per cent. Unfortunately I could not really believe it.

When Kenneth Clarke became chancellor at the end of May, however, I

argued that he had a great opportunity to get a grip on the budget and turn the tables on the markets: investors, instead of sitting back comfortably in the knowledge that they could deal on a take-it-or-leave-it basis with the endless supplies of high coupon paper heading their way, might be panicked into chasing a declining supply of gilts on rapidly falling yields. It seemed a fantasy at the time, but it is now happening.

Against this background of tumbling bond yields, the equity market has been pulled higher, although the fundamental valuations are stretched. Company profits are showing reasonable growth this year, and earnings per share could be 15-20 per cent higher for 1993, although the picture is very patchy as various recent individual company profit warnings have shown; dividend growth has been predictably poor and was damaged further by the unexpected tax hit on pension fund dividend income in the spring, as a consequence of which dividends on the All-Share index have actually fallen by 2½ per cent this year.

In international terms, the UK equity market, despite its recent acceleration, has not performed very well this year. The global pattern has confirmed once again the old rule that you should buy shares in recessions, not in conditions of decent economic growth.

It looks as though 1993 will have turned out to be the most depressed year for the industrialised global economy (excluding the US) ever recorded by the OECD, which is estimating zero growth. But the FT-Actuaries World ex-US index is showing a gain of 38 per cent (in dollars); even the wobbly Tokyo market has provided good returns for unhedged foreigners, thanks to the super-strong yen.

On the other hand, Wall Street has lagged. The US economy, with nearly 3 per cent growth, might have glittered in a dismal global environment but American equities are up only about 6 per cent on the year (the narrowly-based Dow Jones Average glamourises the general trend). Buy the recovery story, sell the fact.

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## MARKETS

London

## The Bank flexes its muscles

By Maggie Urry

It is the season of hopefulness. A time to believe in fairy godmothers. Father Christmas and a brighter future. If there be cynics among us, let them wait until the new year to mutter "humbly".

So let us suspend our disbelief and look to a golden future when Tiny Tim does not die and the Footsie index reaches 3,500 by the end of January.

It has been an extraordinary week. The chance of peace in Northern Ireland, a Gatt agreement which offers the prospect of growing, harmonious world trade - unless you happen to be a South Korean rice farmer - and economic numbers appearing to promise that disinflationary growth can be a reality. And the Footsie rose 75.8 points over the week to close at another record, 3,337.1.

Inflation for the year to November is steady at 1.4 per cent with the underlying rate at 2.5 per cent, the lowest for 36 years.

Unemployment has fallen again, to its lowest level for 15

months. The Confederation of British Industry asserts that order books are improving.

On top of all this, there are hopes of a base rate cut in everyone's Christmas stocking, with the prospect of more to come in the new year.

No wonder then that the Footsie index has reached new highs, breaching the 3,300 mark and promising to carry on upwards. Many strategists are looking for the index to reach 3,500 by the summer. If that becomes the consensus view, the market will get there much sooner.

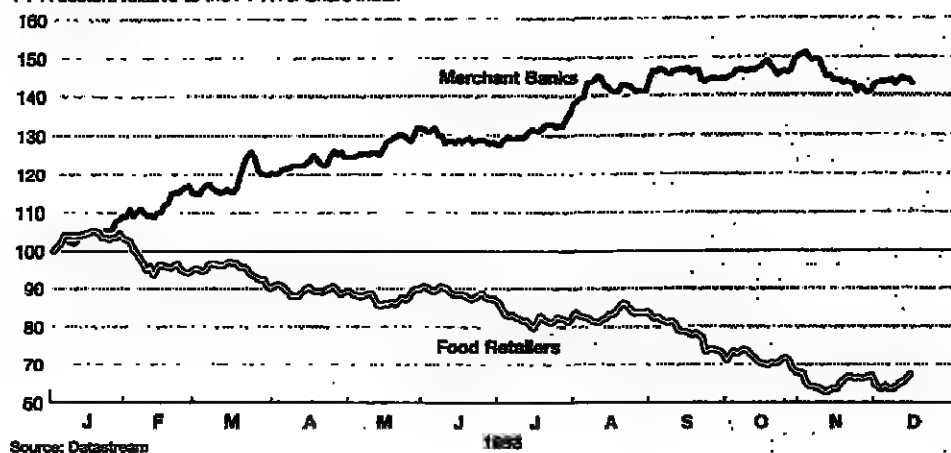
But, wait. What is this grim spectre rattling his chains, padlocks and money boxes. Not Jacob Marley, but Rupert Pennant-Rea, deputy governor of the Bank of England.

Pennant-Rea raised the spectre of Christmas Past - our old enemy, stagflation. That ugly combination of a stagnant economy and high inflation.

If the spirit of Christmas Future is to be disinflationary growth - and some economists need to think up a catchier

## Selling stocks beats selling beans

FT-A sectors relative to the FT-A All-Share Index



Source: Datastream

name for this cheerful idea - then, Pennant-Rea warned industry this week, it should not raise prices but go for volume growth instead.

The penalty of not doing as he asks could be a rise in base rates. Pennant-Rea was flexing the Bank's semi-independent muscles.

Perhaps he was observing the 1.8 per cent drop in manufacturing input prices in the year to November and the 3.6 per cent rise in output prices over the same period.

The gap might suggest a little margin rebuilding has been going on. But with demand in the economy weak, price increases in the UK will be hard to achieve - even if exporters do appear to have taken advantage of sterling's weakness to raise prices.

In the longer term, though, industry will refrain from increasing prices only if there

is a huge cultural change after such a long spell of inflation. After years of recession companies want or need to widen margins.

And after years of cost-cutting, price increases are the attractive option. If cost-cutting and investment to improve efficiency are to be the means of raising margins, then unemployment could remain high.

If the economy truly is entering a new, golden era of low inflation and growth, perhaps margins do not need to be as wide as they have been in the past. But the market will need some convincing.

One sector which has embraced the Pennant-Rea philosophy already is food retailing. Prices have been cut to try to increase volume, although there is little evidence that the trick has worked.

Profits are under pressure - as Asda admitted yesterday - and, as the chart shows, the sector is one of the worst performers of the year. So much, says the market, for going for volume and not price.

By contrast, the merchant banks are one of the best-performing sectors. They have managed to increase volumes without cutting prices. And a look at the Trafalgar House rights issue this week - that unhappy company's third in two years - shows just how lucrative the business is. Of 545,000 shares, 240,000 went to the company itself. The other 305,000 was swallowed by "expenses".

While merchant banks prosper, so do investment managers.

Results from M&G for the year to September showed

funds under management rose by 45 per cent. Shareholders benefited, too, with a 38 per cent rise in the final dividend planned. Net assets at Electrica, the venture capitalists, rose by 23 per cent over the year.

Shareholders in regional electricity companies have also seen a continuation of the trend to big rises in interim dividends, although many companies have warned investors that at least part of the rise was to re-balance the two half-yearly payments.

Elsewhere, the trend of corporate news has been bad. As well as Trafalgar House's miseries - a loss of £347m after property write-downs and exceptional costs totalling £397m, and a cut dividend - Fisons, the pharmaceutical group has been in the wars again.

There have been a number of boardroom departures. Chief executive Cedric Scroggs was sacked this week after refusing to resign. Patrick Sgan, chairman, said instead of profits forecast at £100m the company would only break even.

Dorling Kindersley, the publisher which floated last year, issued its second profit warning in a fortnight and waved goodbye to its managing director.

Pentos, the Dillons bookshop group which last month replaced Terry Maher as chairman with Sir Kit McMahon, former deputy governor of the Bank of England, warned of "substantial losses".

But corporate gloom need not dominate. The real world takes a while to catch up with what the market anticipates. And the market clearly believes in a golden future.

Serious Money

## Three cheers for the good guys

By Philip Coggan, personal finance editor

The press spends so much time criticising the financial services industry that it is nice, for once, to be able to give an unreserved welcome to a change in business practice.

Two building societies, the National and Provincial and the Leeds, committed themselves this week to transfer all savers in obsolete accounts into up-to-date accounts, paying higher rates of interest. The transfer will occur automatically and should be completed by March (at N&P) and May (at Leeds).

The naïve might have assumed that this practice would be commonplace; after all, building societies are supposed to be owned by their members. But when the subject comes up, most societies tend to mutter darkly about the costs involved.

There are two elements to this cost. The first is the administrative burdensome business of writing to all depositors to tell them when new accounts are opened, and of writing to holders of obsolete accounts to persuade them to transfer.

National and Provincial has been through this process already. In 1991, it established a "Bee Guided" initiative with a freephone line giving advice and information; it also wrote to every saver.

The results certainly were impressive. When the initiative started, an amazing 64 per cent of N&P savers had obsolete accounts; by December 1993, the number had fallen to 25 per cent.

The second element of the cost is the extra interest which must be paid to those who switch accounts. This is a hefty bill. According to N&P, some £200m is invested in obsolete accounts, saving banks and building societies around £200m a year in interest.

N&P says it has around £200m in such accounts, spread across 600,000 savers; at the

Leeds, 1m customers have 2450m in out-of-date accounts. And some of these accounts are very long-standing indeed; the Whitehaven Old Series, for example, pre-dates the second world war and pays 0.5 per cent a year gross to its 13 savers.

All the account-holders who are transferred will be better off, either by receiving a higher interest rate or better terms and conditions. Savers can keep special features of old accounts, such as the ability to pay standing orders. The Leeds says savers can even keep their old passbooks, if they wish.

These changes will be expensive for the two societies involved. Leeds said it would cost £4.5m in the year to end-September 1994 and £5m in the following year; N&P said it would cost up to £5m a year in extra interest.

So, what about these costs? The first thing to note is that this change is providing a benefit to some (but not all) of a society's members, which seems to be the point of running a building society in the first place.

Furthermore, cost does not deter societies from expensive, generic advertising campaigns which are of dubious benefit to their members.

It is possible to argue that, by attracting new savers through advertising, the society might benefit from economies of scale; but it is by no means true that the size and efficiency of societies are correlated directly.

What is much more likely is that a larger society means larger salaries for the executives involved.

One could also argue that, without public name awareness, societies might so dwindle in size that the safety of depositors' money could be affected. But other factors - such as poor judgement of loan risk - are likely to be far more

important. The low rates on obsolete accounts are, of course, used by the societies to subsidise the rates paid to other depositors. So, it could be argued that, if all societies followed the lead of N&P and the Leeds, savings rates would have to be cut for the mainstream accounts.

Why, after all, should those savers who do keep track of their money be penalised in order to reward those who cannot be bothered?

It is certainly true that many of the obsolete accounts will involve small sums (300,000 of these at the Leeds have less than £10 deposited). People probably have moved house and forgotten about the old account; or they have died and their relatives are unaware that it exists.

Nevertheless, some of the account-holders will be the elderly or disabled who may not be able to make regular trips to their branches to keep up to date with account changes. They may depend heavily on the interest they earn from their savings.

Furthermore, building societies have such a good public image that some people may honestly believe that "those nice folk at the society" would not allow them to be disadvantaged.

Such savers deserve to be protected and one can only applaud "those nice folk" at the N&P and the Leeds for taking the right action.

If other societies follow suit, and savings rates do fall marginally across the industry, at least savers have the option of switching their funds into National Savings or unit trusts.

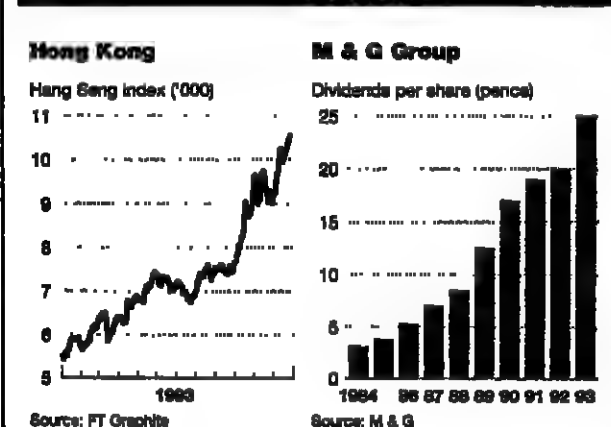
They should even consider the "obscure-sounding" (but lucrative) world of zero coupon shares, which offer yields of 7-8 per cent, are tax-free, for those people who do not use up their annual capital gains tax allowance.

Patrick Harverson

## HIGHLIGHTS OF THE WEEK

	Price	Change	1993	1993	
	YTD	on week	High	Low	
FT-SE 100 Index	3337.1	+75.8	3337.1	2797.8	Base rate hopes
FT-SE Mid 250 Index	3991.7	+90.4	3991.7	2976.3	Private investor interest
BP	348	+33	362%	225	Bullish UK & US presentations
Berkley Group	510	+50	510	295%	Profits up 82%
Dorling Kindersley	245	+85	265	210	Profits warning
Eurometals Ltd	826	+50	526	332	Tunnel opens/refinancing approved
Fisons	112	-26	251	102	Company flags poor earnings
Greenall	445	+36	447	347	Recent results
HBSG (70p share)	885	+47%	870	480	Switching from Standard Chartered
Legal & General	501	-23	546	408%	BIB report
National Power	489	-24	475	273	May avoid MMC reference
Pentos	24%	-10	83	24	Profits warning
PowerGen	826	+28	530	273	May avoid MMC reference
SmithKline Beecham A	405	+30	513	373	Drug approval in the US
Woolsey	873	+85	978	533	Interest rate cut hopes

## AT A GLANCE



## Chinese ire fails to dampen Hang Seng fire

Hong Kong's Hang Seng stock market index continued to soar, hitting record highs on Thursday and Friday this week. Investors appeared to shrug off the Chinese government's angry response to electoral reform proposals put forward by HK governor Chris Patten. China warned on Thursday that British trade with China would suffer from the row over democratisation, but this did not damp market confidence: the Hang Seng index gained 4 per cent to 10,339.65 on Thursday and posted a second record high on Friday with a further gain of 2.22 per cent to close at 10,588.86. Local brokers say foreign institutions are keen buyers.

## Markets like M&amp;G's 36% rise

A 36 per cent increase in the final dividend meant that the results of fund management group M&G were well received by the markets this week. The group has benefited from the strength of world stock markets and from a revival in its own relative investment performance, since sterling left the Exchange Rate Mechanism on Black Wednesday. M&G follows a value approach to stock-picking which does badly in recessions. However, the company's consistency is reflected, not only in the performance of its unit trusts, but in its dividend paying record; the payout has increased eightfold since 1984.

## First Direct cuts rates

First Direct has cut its interest rates for borrowers. Mortgage rates are now 7.84 per cent (APR 7.9) for loans under £50,000, and 7.49 per cent (APR 7.7) for larger loans, effective from December 10 for new borrowers and January 4 for existing customers. The interest rate for Visa cards is to be cut to 1.55 per cent a month (typical APR 21.4 per cent for purchases), personal loan rates to 9.75 per cent (typical APR 18.9), and the unauthorised overdraft rate on the premier cheque account to 8.5 per cent (EAR 8.8 per cent) all from January 4.

## The three-dimensional cheque

The Guinness Mahon private banking group is issuing its customers with cheques incorporating a hologram as a security feature, the first bank in Europe to do so. Holograms prevent the cheques being copied on colour photocopyers, a tool increasingly used by fraudsters. Other security features, including tamper-proof inks, will help prevent alteration of payees and amounts. The British Bankers Association said that cheque counterfeiting amounted to a potential loss of £58.5m in 1992.

## Benefits Agency sets its standards

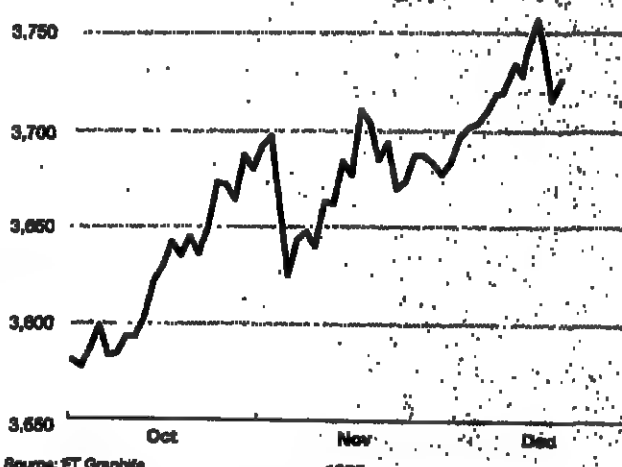
The Benefits Agency, which administers state social security benefits, has launched its second Customer Charter, setting new standards for its quality of service. New benchmarks include a normal waiting time of no more than 10 minutes to see the receptionist, and responding to letters within 10 working days.

## Smaller companies join the rush

Smaller company shares are joining in the general stock market euphoria. The Hoare Govett Smaller Companies Index (capital gains version) rose 1.3 per cent from 1609.28 to 1629.65 in the seven days to December 16.

Wall Street  
Dow surges on while others languish

## Dow Jones Industrial Average



Source: FT Graphite

sell 2000 index 3.5 per cent. All three remain below their all-time highs. In the past, when the Dow has continued to rally to peaks while other, broader indices have lagged, it has been the sign of an exhausted bull market.

The weakness in secondary stocks has taken its toll on the market for initial public offerings, or company flotations. This week several IPOs of

small, growth-oriented companies were postponed at the last minute, with underwriters citing "unfavourable market conditions" as the reason for the hasty withdrawal.

Although a rash of pulled IPOs might be viewed as evidence that the market has overreached itself (the theory being that conditions in the IPO market have deteriorated because investor accounts,

already full-to-the-brim with new stock, are being much choosier about which new issues they should buy), there may be another explanation for all the postponements.

The underwriting calendar, which is normally quiet at this time of the year, has remained unusually active this month, and underwriters are finding that there are simply too many IPOs for investors to handle. So companies have been shelving flotation plans, but most will probably return to the market in early 1994, when they expect demand from investors to remain strong.

If a deterioration in the IPO market is not on the cards, what might be lurking around the next corner that could trigger the sharp correction in the Dow that the weakness in secondary stocks has suggested may be imminent?

Perhaps a foreign political crisis? Although the Dow set a record high on Monday, it fell 50 points in the next two sessions, and traders blamed the losses on nervousness about the situation in Russia, where ultra-nationalists won a large share of the vote in last week's parliamentary elections.

The nationalist party's leader, Vladimir Zhirinovskiy, has pledged to rebuild Russia's armed forces, has talked of reviving the nation's expansionist ambitions and has made about Russia's neighbours. This kind of talk makes US investors nervous, even if the far right in Russia is unlikely to hold the reins of power in the new parliament.

And if developments in Russia do not trigger a panic, the situation in North Korea, which continues to make beligerent noises about South Korea, could, if it deteriorates any further, prove sufficiently disturbing to set off a stampede of selling. This may not be a particularly festive thought, but for the stock market Christmas has often been the season - the Soviet invasion of Afghanistan, the start of the Iran-Iraq war - of nasty external shocks.

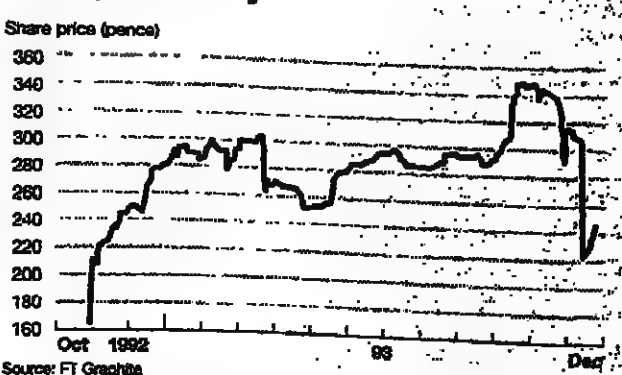
Patrick Harverson

Monday	3764.43	+ 22.76
Tuesday	3742.63	- 21.80
Wednesday	3716.93	- 25.71
Thursday	3726.14	+ 9.21

## The Bottom Line

## A slip from the leading edge

## Dorling Kindersley



Source: FT Graphite

Even if the group was guilty of taking its eye off the ball, Dorling Kindersley's biggest problem this week has been the puncturing of inflated expectations. This particularly related to its pioneering role in multimedia, using CD and computer technology to com-

bine text, images and sound. Analysts - and journalists - are intrigued, while financial institutions are keen to have some stake in what could clearly be the next information revolution. Unfortunately, there are few quoted vehicles in this field, so Dorling Kinder-

sley's flotation could scarcely have been better timed.

The fact that a 20 per cent stake in the group is held by Microsoft, Bill Gates's US computer software group, did nothing to lessen City interest.

The intermediaries element of last October's offer was six times oversubscribed, and 12 months later the shares were selling on an incredible multiple of 35 times historic earnings. Such a sky-high rating leaves no room for disappointment; and the market's reaction to recent bad news has been predictably dramatic.

Gill, who joined as finance director in August, says the group understands its core books business well and can reliably predict future revenue, in spite of a one-off problem, such as Tiptree, which in any case only handles about 20 per cent of group sales. The unpredictability arises in its new

businesses such as DK Education, which has been slower than expected to take off, and - above all - in multimedia.

Dorling Kindersley says about 10m computers capable of running multimedia programmes will be delivered worldwide next year. DK's first title, Musical Instruments, published by Microsoft last year in the US and now selling for £49 in the UK, has already won four international awards. The potential is clear, but Gill says it is difficult to tell when revenue will arrive.

This week's warning that pre-tax profits for the year to next June would be less than the £9.55m achieved last time puts the shares, after a small recovery, on a forward multiple of 23 times earnings - still hefty premium to the market. Many investors have been attracted by DK's beautifully illustrated books and high-tech potential, but have balked at the share price. For brave hearts who like quality and can afford a punt on information trends, this week's fall offers a buying opportunity.

Andrew Bolger

دورلنگ كيندرسلي



## FINANCE AND THE FAMILY

## Your starters for '94

Philip Coggan asks stockbrokers for their trust predictions

Stockbrokers can be right after all. Last year, the Weekend FT asked four private client brokers to select three unit or investment trusts for 1993. All picked portfolios which outperformed the All-Share index, even allowing for dividend income, and three beat the sector average for investment trusts.

It was a very good year for owners of investment trust shares. The FT-A investment trust index has risen 39.2 per cent to date, benefiting from a narrowing discount and the strong performance of overseas stock markets. Even so, our experts, who produced returns ranging from 26.8 to 58.1 per cent, did extremely well. Thus encouraged, we asked them to repeat the exercise for 1994.

Paul Kilik, of Kilik & Co, was the top performer for 1993. He says: "Having focused on the UK market for 1993, I am introducing a stronger international flavour for 1994. With higher income trusts looking expensive, I have given income a lower priority."

"Once again, I am leading with Law Debenture. The trust offers an attractive combination of a yield only slightly below the market, a broad international spread of investments with 37 per cent overseas, and a first class record of asset growth. The published premium to asset value is misleading as it places no value on the company's fiduciary business. The trust, managed by Henderson Touche Remnant, is top-quality."

"Pantheon International Participations would be classed as a higher risk holding because it involves investment in unquoted companies. However, as the trust invests in other venture capital funds, rather than directly into the companies themselves, the assets are very broadly spread. With 47 per cent in the UK and 45 per cent in the US, I consider Pantheon an attractive vehicle in which to participate in the recovery of smaller unquoted businesses."

"The ordinary shares of T.E. Technology are a more speculative investment as they are considerably geared. The trust

invests in international high technology companies and has 47 per cent in the UK and 43 per cent in the US. It is due to be wound up in 1998, and zero and stepped preference shares have first call on the assets, at a cost of £265m. The whole trust is valued at about £265m and the excess is available on wind-up to the 36m ordinaries."

Monks remains among my favourites. Baillie Gifford comes across as a fairly conservative house but it is prepared to take big bets within Monks, both at the stock and country level. Intelligent use of gearing has also consistently enhanced the growth in assets and has helped on the revenue side. A sound core holding."

Japan is a problem area, but one cannot discount the possibility that the authorities will take further measures to stimulate the economy. Fleming has an established reputation for investment in this area."

Brian Tora, of Greig Middleton, whose selections rose 45.1 per cent, feels inclined "to play the geographic game, backed with management I feel I can rely on."

Tora says: "If Europe does come out of recession next year, then the continental bourses may have further to go, so I would plump for Fidelity European Values. In Anthony Bolton, it has one of the most respected European fund managers. The fund has large concentrations in the more familiar markets of France, Holland and Germany but is also invested in peripheral areas, such as southern Europe, and has a heavy weighting in Scandinavia."

"The recently issued Fleming Chinese Fund could also be added to a portfolio, providing the investor has either banked some of the gains achieved last year or is able to sit out the short-term fluctuations that might arise. If like me, you believe the capitalist revolution in China is unstoppable, then this has to be an integral part of any long term growth portfolio."

"Finally, for those with a nose for special situations, the Sphere Investment Trust income shares look interesting at their price of 41p. The trust yields 9.5 per cent, so at least it should pay its way. If the stock market continues its upward path, there could be a useful gain from the gearing element. Of particular interest, however, is the fact that the trust has only 18 months left to run. Already, we are seeing an increasing number of restructurings as fund managers seek to retain the money they have been managing. It would not surprise me if something similar happened to Sphere."

"The first pick of Nigel Sidebottom, of Gerrard Vivian Gray (who managed 26.8 per cent from his 1993 picks), is a Lloyd's vehicle, Premium Trust, which was launched in

Paul Kilik's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Law Debenture	745	3.1	-15.0
Pantheon International	191	0.3	10.2
TR Technology Ord	131	1.7	4

1993 selections			
Trust		% gain†	
Law Debenture		35.4	
Merchants		28.3	
Dayton English & International		109.6	
Average gain		58.1	

\* sign indicates premium, † including dividend income. ‡ Published figure for discount is 47.7 per cent. However, if one allows for the redemption value of other share classes, the Ords are on a substantial premium. Figures for 1994 selections correct as of December 16.

Edwin Lilley's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Monks	544	1.5	8.2
Murray Smaller Markets	474	1.1	3.5
Fleming Far Eastern	416	0.3	8.5

1993 selections			
Trust		% gain†	
Scottish Investment		27.4	
Fleming Mercantile		15.5	
River & Mercantile Capital		113.1	
Average gain		52.0	

\* sign indicates premium, † including dividend income. Figures for 1994 selections correct as of December 16.

(ie around 20p per share at present).

"The selections of Edwin Lilley, of Bell Lawrie White, have produced a return of 63 per cent. Lilley says: "I have a curious sense of déjà vu as I look forward to 1994."

"Most of our hopes for 1993 have yet to be fulfilled - Japan and large tracts of Europe are in recession, while the improvement in the US and UK has been sluggish at best, and real interest rates are still too high. Against this background the selections for last year could still do well in 1994."

"However, my selections start with Monks Investment Trust. It is difficult to ignore the large generalists and

"The emphasis in Murray Smaller Markets has been switched back to smaller and less accessible markets, with exposure to Japan and the US now almost negligible. The smaller markets in Asia and Latin America now account for nearly half of the portfolio. It almost falls into the emerging markets category, but the manager has the freedom to move back into larger markets if circumstances dictate. This flexibility gives the trust a distinct advantage over the emerging market specialists."

"Fleming Far Eastern provides exposure to the Far East, including Japan. It invests, therefore, in some of the most dynamic regions in the World.



Brian Tora's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Fidelity European Values	160	0.5	-6.8
Fidelity Chinese	123	n/a	-1.9
Sphere Income	41	9.5	4

1993 selections			
Trust		% gain†	
Merchants		29.3	
Alliance		20.5	
Abrust New Dawn		85.5	
Average gain		45.1	

\* sign indicates premium, † including dividend income. ‡ Sphere Income shares trade on a published 22 per cent discount but this does not reflect the redemption value of other classes of shares. Figures for 1994 selections correct as of December 16.

Nigel Sidebottom's 1994 selections			
Trust	Price (p)	Yield (%)	Discount*
Premium	94	n/a	1.6
Gartmore Shared Zeros	105.5	7.95	n/a
F&C Emerging Markets	123	0.3	-3.9

1993 selections			
Trust		% gain†	
Bankers		45.5	
St David's Income		18.6	
Jos Zeros		16.4	
Average gain		26.8	

\* sign indicates premium, † including dividend income, ‡ indicates gross redemption yield. Figures for 1994 selections correct as of December 16.

December in parallel with its sister company, Premium Underwriting. Sidebottom says: "Premium Trust raised £19.8m but benefits from a £12.2m free loan from Premium Underwriting. In return for the loan, PT's capital is pledged to Lloyd's to enable PU to increase its underwriting capacity."

"The attraction of this arrangement for PT is the benefit of the interest free loan. The effective cost of the loan is the risk that the capital will be called to cover Lloyd's losses incurred by PU. However, shareholders in PT can be comforted by the fact that PU will reserve a third of underwriting profits against future losses."

"PT will be managed by Martin Currie, which will pursue a similar investment strategy to that adopted for Securities Trust of Scotland - namely, an international portfolio providing an above average income. PT is trading on a wider discount than Securities Trust."

"The market is, therefore, putting no value on the interest free loan, despite the yield enhancement of around 3-4 per cent and the gearing effect if assets rise. In my view, the shares should trade at a premium to asset value."

For his second choice, Sidebottom picks the zeros of Gartmore Shared Equity. "With interest rates still falling, net returns from cash deposits and

gilts hold little attraction. Zero dividend preference shares are still a must for taxpayers who are not making full use of their annual CGT allowance, and are wary of committing too much money to the equity market."

"The Gartmore zeros redeem on April 30 2002 at a price of 100p, and the final redemption value is already covered over 1.2 times. If held to redemption, the shares will provide an annual compound growth of 7.9 per cent. The trust's underlying portfolio would have to fall by 17 per cent between now and April 2002 before the return from the zeros would be diminished."

"Emerging market funds had an excellent run in 1993 but

still have plenty to offer. With individual markets highly volatile, one should select a well managed global fund such as Foreign & Colonial Emerging Markets."

"At the year-end, the trust had 37 per cent in the Far East with the largest holdings being in Malaysia, South Korea and Hong Kong, the latter being used primarily as a means of gaining exposure to China. Around 36 per cent of the portfolio was in Latin America, with the largest holdings in Mexico and Argentina."

"The shares trade at a premium to asset value but alternatives, such as Templeton Emerging Markets, are on even greater premiums."

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US Securities†			
\$5,000	\$176	\$88	50%
\$10,000	\$243	\$109	55%
\$20,000	\$367	\$143	61%

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tiers: a taxable 5.25 per cent for deposits under \$500; 5.75 per cent for \$500 to \$24,999; and 6 per cent for \$25,000 and above. Old rates varied from 6.25 to 6.5 per cent.

■ From January 29, the income bond will pay a taxable 6.5 per cent or 6.75 per cent for holdings over \$25,000. The old rates were 7 and 7.25 per cent respectively.

Finally, the general extension rate, which applies to matured certificates, falls again to 3.51 per cent. Investors should remember to withdraw their money, or re-invest in new certificates.

the Yearly Plan. The old 40th issue paid 5.75 per cent.

- The 7th issue of indexed linked certificates will pay a tax-free return of inflation, plus 3 per cent, if held for five years. The 6th issue offered inflation plus 3.25 per cent.
- First option bonds will pay a taxable 6 per cent if held for 12 months. Those who buy more than £20,000 of bonds will get 6.4 per cent. The old rates (which will continue to be paid on bonds bought before December 16) were 6.34 per cent and

6.74 per cent respectively.

- A new Series H of capital bonds will pay a taxable 7.25 per cent if held for five years. The old Series G paid 7.75 per cent.
- Issue F of children's bonus bonds will pay 7.35 per cent tax-free if held for five years. Issue E paid 7.85 per cent. The new maximum holding limit is £1,000 which can be bought on top of holdings in previous issues.
- From January 1, the investment account will have three

per cent for \$25,000 and above. Old rates varied from 6.25 to 6.5 per cent.

■ From January 29, the income bond will pay a taxable 6.5 per cent or 6.75 per cent for holdings over \$25,000. The old rates were 7 and 7.35 per cent respectively.

Finally, the general extension rate, which applies to matured certificates, falls again, to 3.51 per cent. Investors should remember to withdraw their money, or re-invest in new certificates.

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groups (cards may bear the name of any shop in the group):

- **Barton Group:** (includes Debenhams, Dorothy Perkins, Evans, Top Shop, Top Man, Principles, Champion Sports) Charges 2 per cent monthly (APR 26.8) for direct debits, 2.2 per cent (APR 29.8). Extra 10 per cent off for all or part of sale period
- **Dixons/Currys:** Budget card charging 2.07 per cent a month, APR 27.8 for direct debits; 2.37 per cent a month or APR 32

Country	Year	Age	Sex	Height (cm)	Weight (kg)	Body fat (%)	VO <sub>2</sub> max (ml/kg/min)	VO <sub>2</sub> max (l/min)	VO <sub>2</sub> max (l/min)
Germany	1988	20-29	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	30-39	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	40-49	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	50-59	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	60-69	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	70-79	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	80-89	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	90-99	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	20-29	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	30-39	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	40-49	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	50-59	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	60-69	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	70-79	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	80-89	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	90-99	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	20-29	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	30-39	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	40-49	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	50-59	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	60-69	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	70-79	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	80-89	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	90-99	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	20-29	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	30-39	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	40-49	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	50-59	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	60-69	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	70-79	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	80-89	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	90-99	F	165.0	60.0	15.0	35.0	12.5	12.5
Germany	1988	20-29	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	30-39	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	40-49	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	50-59	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	60-69	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	70-79	M	178.0	75.0	12.0	44.0	15.6	15.6
Germany	1988	80-89	M	178.0	75.0	12.0	44.0	15.6	

■ **Harrods/House of Fraser:** 2.2 per cent (APR 29.8). Late opening nights for account holders, gift vouchers if you spend a certain amount, and an extra 10 per cent off on the first day or first Saturday of the sale.

■ **John Lewis:** Lowest interest rate of all the storecards: 1.5 per cent a month, APR 19.5. No special privileges for account-holders.

■ **M&S:** 1.7 per cent (APR 23.4) if you pay by direct debit, 1.9 per cent (APR 25.3) otherwise. Card-holder savings: free meals.

Shuman Army Group	HHG	Sep	2,670	2,530	525	64.8	3.75	—
Interservice Group	PMF	Oct	4,390	3,820	76.5	5.5	3.5	—
Stanek	HRF	Sep	4,030	3,120	600	48	—	—
St. Lawrence & Co.	HRF	Oct	1,000	1,000	0	0	1.50	0
St. J & G	HRF	Sep	50,500	50,000	47.8	35.4	20	30.0
Manitoba	Infy	Oct	82.0	—	—	—	0.1	—
Making & Allied	Infy	Sep	20.0	16.0	—	—	0.75	0.0
New Zealand Iron Tail	Infy	Oct	1,000	500.73	1.74	0.70	5.1	0.1
Northwest	Infy	Sep	1,200	1,000	14.9	0.7	4.48	0.0
Radio Clinic	Sold	Sep	5,000	1,000	34.7	0.5	0.5	0.5
Richards	Tech	Sep	71.1	1,000	1.0	—	3.0	0.0
Shedden & Electronics	Elec	Sep	3,325	2,000	25.4	24.0	0.5	0.0
Smith Holdings	Med	Sep	1,760	500	11.8	0.7	0.5	0.0
Southwest	Med	Sep	8,700	8,700	0.7	0.2	0.2	0.1
Stanley Realty	Real	Sep	565	774	2.29	2.02	1.25	2.75
Stewart & Wight	Sep	Sep	770	100	146.5	105.7	—	—
Taylor-Hunt	Crpl	Sep	367,200	372,200	—	—	3.25	0.0

- **Seary (Selfridges, Miss Selfridges, Ware house, Wallis, Richards; lots of shoe shops including Dolcis and Saxone; Olympu sports shops; Adams childrens wear etc.)** Direct debit payments 2.1 per cent (APR 28.9); otherwise 2.2 per cent (APR 28.9)
- **Holiday club with discounts for card-holders, plus special events. Also separate Selfridges Gold card with lower interest rates**
- **Storecard: (BHS, Mothercare, Habitat, Richards, Blazer). Direct debit payments 1.95 per cent a month (APR 26), otherwise 2.15 per cent (APR 28). Periodic discount offers, special evenings for card-holders etc.**
- **Timecard: (Comet, B&Q, Woolworths Next, among others). Direct debit payments 1.7 per cent (APR 22.4), non-direct debit 1.87 per cent (APR 24.9). Discount**

[illegible]

on which to base it.

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The five-year price chart for Betterware is a technical analyst's dream. Having risen strongly and steadily through 1991/92, shares levelled off and went sideways until August this year, since when they have collapsed dramatically. The period of under-performance came not long after the Cohen family sold 13.3m shares at 230p, having previously indicated it was unlikely to reduce its stake. *This factor, and the fact that*

director of Great Portland Estates, one of the UK's larger property companies. He has been a consistent and regular supporter of his shares. His first purchase dates back to August last year: just 104p for 115,000. Since then the price has recovered strongly, and Peskin is now selling 750,000 at 225p. Although he retains 3.1m, there is little doubt that the move to take profits in the property sector is gathering

UK growth clearly is slowing, gave the bears an ideal opportunity to hit the price.

At the beginning of November, managing director Andrew Cohen bought 400,000 shares from fellow director John Lloyd at 190p, but this was the flow. The rest of the recent purchases were made by three directors, including the chairman and finance director, at 142p. Between them, the Cohens retain more than 45m shares.

Nor is it particularly surprising to see profits being taken at S.G. Warburg Group chairman Sir David Scholey has sold 112,000 shares at 884p. The price has more than doubled since September last year on the back of strongly rising equity markets, not just in the UK but internationally. Brokers have been issuing forecasts for Warburg and many of its peers in the merchant bank sector, and expectations are running high.

### Colin Rogers, the Inside Track

Company	Sector	Shares	Value	No of directors
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ABE Leisure	Modr	935,000	918	5
Argyll Group	FdHse	100,000	258	1
BPP Industries	BdHse	298,396	904	2
British Gas	OSG	42,523	150	1
Bu A F	OSG	1,500,000	24	1
Cater Allen	OHF	150,000	869	1
Christie Group	BuSe	1,009,000	515	1
Commercial Union	InsC	11,888	77	1
Progressive Estates	Prop	70,000	358	1
Rich Glaz	Hth	281,460	1,928	1
Q Portland Estates	Prop	700,000	1,688	1
R Hanson	Comp	338,915	295	1
IMI	EngG	150,000	928	2
Johnston Press	Med	78,580	423	1
Land Securities	Prop	38,000	222	1
Miles & Spencer	Stor	24,271	110	1
Morgan Industries	OHF	867,741	189	1
Novark	Chem	30,000	54	1
Scott & Newcastle	Brow	31,800	168	2
Seacombe	Tran	60,000	133	1
Seares	Stor	150,000	182	1
Slough Estates	Prop	23,038	63	2
Standard Chartered	Bank	114,382	1,396	1
Thames Publishing	Med	750,000	1,298	2
United Newspapers	Med	39,267	92	2
Warrington (SG)	Merc	12,479	984	1
Watts Blake Barclay	OHF	25,000	107	1
Whitbread	Brew	6,000	34	1
Wilson Bowden	C&C	73,819	381	2

<b>PURCHASES</b>					
Abercrombie Small Co.	InTr	14,034	25	2	
Albi Laisure Grp	Motr	20,000	20	1	
Bettware	Shor	31,000	44	3	
Crossroads Oil Grp	Odg	4,180,000	705	2	
Fong Kong Inv Tst	InTr	140,000	78	1	
Goswicks	Osg	890,000	28	1	
Plainsbrook	Misc	25,000	23	1	
Powersearch Intl	EngG	10,000	28	1	
Racal Electronics	Els	500,000	825	1	

Transactions expressed in £000s. This list contains all transactions, including the extrajurisdiction options ("x") if 100% subsequently sold, with a value over £20,000. Information released by the Stock Exchange Listing Committee.  
Source: Drapers Ltd., The Inside Track, Edinburgh

Company last	Value of last price	Market price	Price range last	Value of last share	Market
Prices in pence unless otherwise indicated					
Barnett & Fount	27	27½	4	2.10	Marlowe
British Ceylon T	97	85	65	32.80	Graysstone
Control Int'l TV	2800	2805	2168	758.00	Carlton Comm.
LGW	2145½	180	158	0.53	Moskov. Rev.
LWT	522	890	645.20		Grand
Multimedia	143	140	131	21.50	Champion Tech.
Non-Swiss	388	403	360	147.20	Baro Film Sec.
P-E Int'l.	74	73	65	16.13	Gray West
Whitbread Inv Co	730	920	680	523.75	Whitbread

Company	Quarter	Year to date	Pre-tax profit (\$000)	Earnings per share (¢)	Dividend per share (¢)			
Amstar & Hatterman	Feb/M	Oct/3	10,200	7,820	20.3	16.2	8.0	8.8
Alcoa	Aug	Sept	5,000	1,070	22.2	16.3	4.0	8.0
Aluminum	Aug	Sept	5,000	1,070	22.2	16.3	4.0	8.0
Armco (A-I) Holdings	Mar	Apr	918 L	1,163	2.4	1.0	1.0	1.0
August Associates	Feb	Sept	2,250 L	1,578 L	1	(1)	(1)	(1)
Avco/Rockwell Rock	Prop	Sept	2,000	1,000	3.30	(2.0)	3.25	1.75
Barcoram	CSC	Sept	2,000	1,000	10.8	7.2	3.0	3.0
Bell & Howell	Mar	Sept	7,250	2,025	8.9	8.0	5.5	5.0
Brownlee Int'l Trust	Mar	Nov	2,000	600	6.1	6.00	5.2	5.1
Case's Milling	Feb/A	Aug	1,300	384 L	15.8	(1)	4.5	3.8
Century Inc.	Mar	Sept	4,700	(1)	(1)	(1)	(1)	(1)
Champion	Mar	Sept	2,700	1,522	16.8	(17.2)	8.0	13.5
Chrysler	Mar	Sept	5,910 L	588 L	1	(1)	(1)	(1)
Daily Mail & Free Tel.	Mar	Sept	692,300	692,300	69.2	140.0	32.0	32.0
Dynalene & The	Mar	Oct	132.0	17.0	8.77	6.00	7.0	7.0
Electric Ind. Trust	Mar	Sept	243.0	277.8	7.544	7.500	7.0	6.7
Fairfax Inc.	Mar	Sept	508	508	10.1	(1)	(1)	(1)
General Trust	Prop	Sept	1,000,000	1,000,000	10.0	10.0	10.0	10.0
General Trust	Prop	Sept	1,000,000	1,000,000	10.0	10.0	10.0	10.0
Group Development Cap.	Mar	Sept	54.3	14.1	0.16	0.00	0.20	0.3
Harcis & Harman	Mar	Oct	7,000	1,676	16.8	16.8	8.0	7.9
Highland Electronics	Mar	Sept	2,000	1,000	1	(1)	(1)	(1)
Indiana Army Group	Prop	Sept	2,070	2,000	5.00	5.00	3.75	3.7
Intertec Group	Mar	Oct	4,300	3,000	16.5	8.0	3.0	3.8
Rockwell	Mar	Sept	4,900	17,000	60.8	(1)	(1)	(1)
Rockwell (Rockwell) Leisure	Mar	Sept	2,000	2,000	10.0	7.0	1.0	1.0
S.A.G.	Mar	Sept	50,000	50,000	47.8	36.4	28.0	28.0
Minerals	Mar	Oct	82.0	100.0	(1)	(1)	(1)	(1)
Mining & Allied	Mar	Sept	30.0	(100 L)	1	(1)	8.75	8.0
New Zealand Iron Tel.	Mar	Sept	244.8	1,000	17.3	13.70	8.1	8.1
North American	Mar	Sept	1,000	1,000	10.0	7.0	4.0	4.0
Radio Cycles	Mar	Sept	70.0	1,000	24.7	6.0	9.0	9.0
Richards	Mar	Sept	11 L	1,000 L	1	(1)	3.0	3.0
Shawmut Electronics	Mar	Sept	3,700	2,000	28.4	28.0	8.0	8.0
Shawmut Holdings	CSC	Sept	1,200	600	11.8	9.0	4.0	4.0
Shawmut	CSC	Oct	1,000	1,000	10.0	7.7	8.2	8.2
Southwest Radio	Mar	Sept	500	174	2.30	2.00	1.30	1.30
Shawmut & Night	Prop	Sept	700	1,000	14.63	10.57	(1)	(1)
Telecommunications	Mar	Sept	347,200	172,500	(1)	(1)	3.0	3.0
Telecommunications	Mar	Sept	1,000	1,000	10.0	10.0	10.0	10.0
Telecom	Mar	Sept	20,000	20,000	19.91	13.99	9.0	9.0
Vickers	CSC	Jul	2,830 L	(65 L)	1	(1)	(1)	(1)
Vickers	Mar	Sept	7,140	7,000	18.8	25.00	8.2	8.0
Widney	Mar	Oct	160 L	(67 L)	1	(1)	(1)	(1)
Widney & Dunlop	Mar	Oct	86,000	86,000	86.0	12.8	11.0	11.0

Company	Symbol	Half-year end	Post-tax profit (\$mil)	Income statement per share (\$)		
Abstract New Dawn Inc	ADN	Oct	250.11	(155.58)	-	(1)
Acadia	ADA	Oct	10.00	0.1	0.1	(1)
Academy Group	ACG	Sep	31	(79.1)	-	-
Air PAC	ABC	Sep	49.1	(9.7)	1.0	(2.2)
Berkley Group	CBC	Oct	13,000	(5,000)	1.9	(1.85)
Bogart Group	BGG	Sep	74	(105)	0.2	(2.7)
Book Inc	BIG	Sep	50.1	1.0	0.2	(3.7)
Burgess	BGG	Sep	600	(550)	0.24	(1.24)
Book for the Reader	BRK	Sep	149	(148)	-	-
Brickway	BRW	Sep	4,320	(4,520)	11.1	(10.2)
Brown & Brown	BBN	Oct	2,080.1	(2,780.1)	-	-
Brown Ferry Holdings	BFF	Sep	2,680	(167,000)	4.0	(5.75)
Burns	BUR	Sep	1.20	(1.474)	8.0	(7.7)
Carman Int'l Trust Inc	CTI	Oct	112.2	(74.2)	2.5	0.9
CGI	CGI	Sep	32.1	(2,100.1)	-	-
Equity Consort for Tel	ECT	Oct	721.4	(611.8)	11,082.9	(1,082.2)
Empire	EMP	Sep	3.00	0.1	0.4	-
Farquhar	FAR	Aug	1.81	(161.1)	-	-
Fint Technology	FTI	Oct	37.00	(307)	1.0	(1)
Greene King	SGD	Oct	8,900	(8,700)	3.95	(3.77)
Habon	HAB	Sep	10,100	(5,720)	0.926	(0.77)
Harold	HAR	Sep	2,000	(1,250)	-	-
Hodkins Brewery	HBD	Sep	633.1	30	-	(1)
Indian Justice	IOJ	Sep	7,470	(6,570)	-	-
London Electricity	ELC	Nov	60,900	(62,000)	7.4	(5.8)
London Merchant S&S	PMG	Sep	16,100	(10,300)	0.8	(0.8)
Macdonald	MDN	Oct	194.0	(204.0)	1.5	(1.5)
M&I International	MI	Oct	462	(255)	1.0	(1)
Noranda	NOR	Oct	794	(224)	-	-
Northern Electric	NEL	Sep	52,800	(41,700)	7.4	(5.8)
Norwest	NEL	Sep	65,100	(53,900)	6.7	(5.8)
Noveltek	NOV	Sep	3,410	(2,300)	-	-
Plasma	PLM	Oct	1,730	(1.2)	2.0	(2.0)
Prior	PRI	Sep	1,730	1,230	1.06	(0.8)
Outright	OUT	Sep	1,270.1	622	-	(1)
QEST	QST	Oct	23.1	(948.1)	-	-
Shen Shachin Group	SSG	Nov	19.0	(116.2)	-	-
Southern Electric	SEL	Sep	80,200	(15,300)	8.7	(6.8)
Southern Water	SWR	Sep	64,600	(50,000)	7.7	(7.1)
South Western Electric	SWEL	Sep	30,600	(23,900)	7.0	(6.8)
Schiffle Systems	SSS	Sep	381	(380.1)	-	-
Swan (India)	SWI	Oct	204	(163)	-	-
Sykes (India)	SYK	Sep	2,340.1	163	-	-
Sylvania	SYN	Sep	1,220	(1,220)	1.625	(1.675)
Tel Technology	TTI	Oct	295.28	(172.28)	-	-
Teleflex Corp	TFC	Oct	45	(227)	-	-
Wells Water	WWR	Sep	77,300	(75,300)	8.46	(7.8)
Westport Group	WCG	Oct	220.1	(111)	-	-
Yorkshire Electricity	YEL	Sep	74,000	(60,500)	6.5	(5.8)

Boveltorpe is to raise £24.4m via a 1-8 at 320p rights issue of 20.6m shares.  
 Trafalgar House is to raise £35m via a 1-3 at 100p rights issue.

\* Shaw Group is to raise £215.5m via a placing, open offer and subscription of 22m shares.  
 Shaw Group is to raise £24m via a placing.  
 Sanyo Technology Group is to raise £23.1m via a placing and open offer of 28.3m shares at 825p.  
 \* Shaw is to raise up to £25m via its flotation.  
 SHAW is to raise £67.2m via a placing and open offer of shares at 825p.  
 Park Food is to raise £200.0m via an issue of shares.  
 \* Prothane is to raise £2m via a placing and open offer of up to 5.55m shares at 180p.  
 Securitized Endowment contracts is to raise £2.5m via its flotation.  
 \* Testatler House is to raise £27m via a placing.  
 Winchester Milkmedin is to raise £1.94m via an issue of 2.5m shares.

[illegible]

Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. † = 3rd Quarter figures. \* 1st Quarter figures.



A cartoon illustration of a man in a suit showing a bathroom to a woman. The man is pointing at a bathtub where a woman is relaxing. A speech bubble from the man says: "THE FLAT HAS IT'S OWN OFF SHORE TAX SPECIALIST SHOULD YOU WANT TO EXTEND THE LEASE."

■ *Caroline Garnham is a tax and trusts specialist with solicitors Simmons & Simmons*

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**John Cuthbert** looks at the mounting attractions of international growth unit trusts

Whereas BOI Worldwide has the most distinguished record

of outperforming the benchmark consistently. Framlington's stock-picking history has been a roller-coaster ride. Interestingly, Framlington's strong 1981 performance was the result of quality stock selections in the sectors in which most other managers have failed to make headway.

BOI, by contrast, has done well in Hong Kong, another market where many managers have fought shy. Also, it has maintained a very high exposure to emerging markets, hence the high risk rating. Investors have been rewarded for this risk; hence the high

**risk/return score.**  
Martin Currie International's

calamity was to have been exposed to Latin America when the Boisa turned belly-up, and its 1991 record suffers as a result. Otherwise, this is a slight blemish on a record which stands out for many reasons - including getting Japan just about right.

The tactical emphasis Scottish Equitable's Worldwide Tactical performance fund has at once both the fund's strength and an insight into the sector's most troubling weakness. Whereas most international growth funds maintain some exposure to a core group of markets regardless, Scottish Equitable buys only in those markets which it deems attractive.

The most striking statistic is the 150% return of the Perpetual PEP Growth and Income fund; that year, the World ex-Japan index lost 19.35 per cent and the international growth sector followed suit. But Perpetual PEP Growth made money out of a highly defensive UK equity strategy.

Indeed, like BOI British and Overseas and Newton, Perpetual maintains a minimum proportion of the fund in UK equities. In part, its high risk/return rating results from the UK's strong performance, but its steadiness is helped also by success in the US and the Far East.

*\*Part two next month.*

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## MINDING YOUR OWN BUSINESS / FINANCE AND THE FAMILY



Fun factory: Ted Gaffney, managing director of Gaffney of Tiptree, which makes novelty goods

## Novelties have not worn off

Clive Fewins visits a family business that has been big in party hats for 40 years

**T**hey were in turmoil at Gaffney of Tiptree over what to wear at the family party for Ted Gaffney's 70th birthday. Should it be the fireman's hats, or the glitter crowns. Father Christmas masks, or stars and stripes bow ties? Perhaps a combination of all these might be more suitable.

"In the event we'll probably settle for plain suits and ties," said grandfather Gaffney, managing director of party novelty specialists Gaffney of Tiptree. "We don't like to be too outrageous - not in public, at least!"

The family business has specialised in the outrageous since the end of the second world war when Bow-bow Arthur Gaffney, then 47, had to find something to make instead of pumps to remove the water

from air raid shelters.

The only material to hand was plywood. There were tons of off-cuts, scrap from a local company that had made wooden wings for aircraft. Arthur started making toys, he was joined in 1946 by his three sons, Arthur, now 72, Ted, 70, and Reg, now 67.

The quartet moved the business twice before moving 50 miles north of London to a former builders' merchant's 16-acre site on the edge of the Essex fruit growing village of Tiptree 18 years ago.

There they decided to concentrate on novelties. "Cheap imported toys were making our products less and less competitive. We had been building up our stock of party lines and knew there was a good market for many of them," Ted said.

The workforce, full and part-time, numbers 120, and

there are 200 outworkers.

"The quiet patch after the Christmas boom does not usually last very long," Ted said. "At the end of November we had a rush for fairy wands and dadas to be delivered to theatre gift shops in advance of the pantomime season. As soon as Christmas is over we shall have to gear ourselves up for Valentine's Day."

The Gaffneys supply many British stores with seasonal novelty items. They claim to be the only UK company with an automated line manufacturing party streamers, and their warehouse usually stocks 100m balloons.

"At peak times we pack 1m balloons a day," said Ted. "All our balloons come from Mexico. They are among the 10 per cent of our lines that we import, but they account for about 20 per cent of our turn-

over. Most other products we make here, but because they are mostly cheap items, made of cardboard and plastic, our profit on turnover is low - we aim at about 12 per cent."

Last year was the best in the company's history. Turnover was £2.75m.

"In times like the present people often don't have the money for large items such as holidays and cars, so they often spend their money on small inexpensive things like our novelties," Ted said.

"There is scarcely a day when we are not working on some new line," said Reg, who is chief ideas man and works closely with his son Raymond, 38, to develop products.

The Gaffneys have lost count of their total lines, but a glance at their multi-coloured catalogue reveals at least 500, if you can be bothered to count. These all sell in shops under the Galaxy brand name, but a high proportion of the output also sells under the own brands of many of the big high street chains.

"Our association with Woolworths goes back 32 years. It was 1941 and the bombs were dropping when a Woolworths buyer knocked on the door of dad's original factory in Walthamstow to ask if there was anyone in the area who made things for kids," Ted said.

The brothers do not know what proportion of their products end up overseas, except in the case of punchboards. They manufacture several hundred different designs of these under the brand name Money Makers. These are fundraising devices used in clubs and by charities all over Europe, and are made in nine languages.

"There used to be about 10 companies making bubble tubes in this country. Now there's just us and one small competitor," said Ted. "We keep a careful eye on him."

Bubbles are a big spring line. Early in the new year a number of the Gaffneys' staff will move into the bubble department to form a double shift.

"It is one of our lines that seems to just grow and grow," Ted said. "Sometimes we wonder when the bubble is going to burst."

Gaffney of Tiptree, Progress House, 60-73 Newbridge Road, Tiptree, Essex CO5 0HZ. Tel: 0831 815910.

Computing / Jean Miles

## Programs to work out your taxes

**I**f self-assessment of income tax arrives as promised in 1994, we can be sure that a clutch of helpful computer programs will follow. Some are already with us. On the other hand, some of the software houses to which we might expect to look for help, such as Intuit and Sage, hesitate to get involved with this murky subject. I can see why.

A tax practitioner was quoted in the *Weekend FT* recently as saying: "It is amazing how intelligent people seem to have difficulty with their tax returns." Perhaps I might explain.

Sorting out the paper work and filling in a tax form is not particularly difficult. Deadly, but not difficult, rather like doing the ironing. But understanding a tax inspector's thought processes when the assessment comes home, now that's another matter. Few of the figures on the assessment seem entirely to match the ones I submitted. Why? What has happened to the covenants? Why has part of my husband's personal allowance been transferred "elsewhere", away from PAYE?

A tax accountant told me that his professional estimate of a client's tax liability never turned out to correspond precisely with the official assessment.

Similarly, when I tested five personal tax programs using the figures I had submitted with our most recent tax returns, no two of them produced the same answer.

Self-assessment is not going to work until the tax rules and their application, however extensive and complicated, are as unambiguous as the London street map or the rules of chess; and until a way is found to make straight the paths leading from the tax return to the assessment.

The available computer programs fall into two categories: cheap and expensive. The cheap ones cost £50 or less, the expensive ones about three times as much. The difference lies in the greater sophistication of the expensive ones, and in the fact that they have share portfolio modules which will calculate capital gains tax as well as manage the lists of dividends and tax credits.

A cheap program, the Consumers' Association's *TaxCalc*, came closest to the right answer for our own tax liability (I think).

This program does not always get the press it deserves, because the Consumers' Association will not send out review copies, and journalists do hate paying for anything.

*TaxCalc* leads users in commandable, clear fashion through the tax return. I am sure its success at getting the answer stems from that clarity. It also sets out its results

clearly, and prints a report which you can sign and submit as your return. An extra bonus: it runs from a single floppy disk.

There are drawbacks: you cannot update *TaxCalc*; next year, you will have to buy it all over again. And you cannot enter the particulars of your income in this program. You will have to go through the printed report at the end and fill in the name and address of your employer and your building society, the recipients of your charitable covenants and so forth. If you have a substantial share portfolio, adding the names of the individual shares afterwards to *TaxCalc*'s list of dividends is not really practicable. But even in that case, this program is an excellent way to check your tax

to get advice on the subject. The current versions of *Tax Adviser* and *Personal Tax Planner* leave capital gains tax out altogether.

The expensive programs are edging towards the sort of thing an accountant might use. *Vital Software's Tax Reckoner* is an old friend; I have recommended it before. A Windows version is planned for next year. *Microhelp's* personal tax program is a newcomer, lived off from a suite of programs developed for accountants.

Both are good; both are aware of the order by which the tax system, such as the *Bentham* scheme, both produce answers quite close to the figure *TaxCalc* and I judge to be right; both will keep track of share portfolios from year to year, calculate capital gains, and relieve you of the drudgery of typing lists of dividends and tax credits.

*Microhelp* will sell you a cheap version which will prepare the schedules to attach to your income tax return, but will not calculate the tax due. That could be a very good way to look at the program and decide whether you want to go further.

If your affairs are complicated and you dislike turning the job over to a professional adviser, you should consider one of these programs. But the price does represent a considerable outlay, and, as with any tax program, you will have to buy an annual update.

The small companies which market them do not offer the sort of security you might have with a large software house - but then, there is not really much security anywhere in the computer world.

**PC Tax Adviser** is another of the cheap programs. It does allow you to list the sources of your income. They will be printed in the report, and you can carry them forward to next year. I liked the way the program was set out. But I had some trouble tailoring our information to fit *Tax Adviser's* expectations - for example, we received both taxed and untaxed bank interest in 1992-93; *Tax Adviser* did not like that.

The same problem arose with interest on gifts. This program still might be worth a look if you have a share portfolio and your other tax requirements are fairly simple.

*Digit's Personal Tax Planner* did somewhat better on categories of income. It, too, will run from a single floppy disk. But the dull screens are hard to use, and look at least five years out of date. *Digit's* invites users to classify income as "Self", "Wife" or "Joint". I am surprised the politically correct have not caught up with them for that.

*TaxCalc* allows you to enter a figure for capital gains, and gives some guidance on where

**All the programs mentioned run on IBM and compatible computers. All the prices mentioned include VAT.**

**TaxCalc** costs £19.99 to members of the Consumers' Association, £24.99 to everyone else. Tel: 0800-882-100.

**Digit's Personal Tax Planner** costs £29.99. Annual updates cost £12.50. *Digit's* International, Black Horse House, Epsom Road, Epsom, Surrey. Tel: 0895-307773, Fax: 0895-306883.

**PC Tax Adviser** costs £29.95. Updates are £9.95. HCS, 35 Dudley Rd, Ashford, Middlesex, TW15 1LE. Tel: 0784-855284.

**Tax Reckoner** costs £39.95. The update for 1993-94 will cost £29.95 without a new manual, or £49.95 with one. *Vital Software* is at Dover House, Crowtham, Kent TN11 9SS. Tel: 0733-810330.

**The Microhelp programs** cost £23.50 for either the income tax or the portfolio module, without the computation facility. For upgrades and other prices, write to the company at Andrews House, College Street, Petersfield GU31 4AD.



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## Reclaiming income tax

My wife and I have established a discretionary trust, with our grandchildren as the beneficiaries.

One of our sons works for an EU institution abroad and his children have visited Britain only on holidays.

When they get income from the trust, can they claim back the income tax already deducted from it, as their UK-resident cousins can do? If so, where should their father apply for such repayment?

It appears that your grandchildren are British citizens no matter where they live. Thus, they are entitled to their annual personal allowance for income tax.

It should be possible for them to claim back the tax deducted on payments from the trustees. In order to do this, the trustees should supply the children with a certificate showing tax deducted. This should be submitted with a letter requesting a refund to Claims Branch, St John's House, Merton Road, Bootle, Merseyside L69 9BP.

You will need to check the way in which the income distribution is taxed in the country where the children are resident.

Reply by Barry Stillerman of accountant Stog Hayward.

## Wrong advice by tax office

My tax office says the expiry of an unexercised traded option is not allowed to be counted as a capital loss. But

LTOM's *Book of Traded Options* implies clearly that, for tax purposes, a capital loss arises on the date of expiry of the option. Could you clarify this?

Your local tax office is talking nonsense. The rules for traded options changed more than 13 years ago, in section 84 of the Finance Act 1980. The present law, as re-enacted in section 144(4) of the Taxation of Chargeable Gains Act 1992, says: "The abandonment of... a traded option... shall constitute the disposal of an asset (namely of the option)."

For the benefit of other people who may believe what taxmen tell them, you should write to the District Inspector (marking both your letter and the envelope "For the attention of the District Inspector") asking him to draw section 144(4) of the TCGA to the attention of the officer who misinformed you.

On the expiry day, you had an allowable loss equal to the cost of the option indexed from the month of purchase to the expiry month. This is also true for London Stock Exchange traded options. Because of Budget changes, there will be no indexation relief for options expiring after November 29.

## Bequest might be too big

My wife and I have no close relatives and are considering leaving our estates to a small Baptist chapel of which we are members. But I am concerned

## Q&amp;A

## BRIEF CASE

No legal responsibility can be accepted by the Financial Times for the accuracy of the answers given in these columns. All enquiries will be answered by post as soon as possible.

that the amount - roughly £275,000 - might be an embarrassment because of the chapel's lack of experience in handling sums of this size.

Would forming some sort of trust, to provide income, be the best way to proceed? Are there any obvious difficulties to such a plan?

We understand that you are proposing to write your will so that all assets pass to the surviving spouse, with the chapel receiving all the estate on his or her death. Under these circumstances, there should be no inheritance tax payable on the bequest is made to a registered charity, no IHT would be payable on the death of the survivor.

In your wills, you could leave the estate in a trust on the death of the surviving spouse. The trust could be a charitable one and would need to be registered with the Charity Commissioners, having as its aims the provision of income and capital, where necessary, to the chapel.

Selecting the trustees is crucial. Their duties include investing the capital and paying income to the chapel. Also, they can be empowered to advance capital to the chapel if authorised. Thus, it is important you are satisfied the trustees would act responsibly.

Reply by Barry Stillerman.

## Peps: hijack or robbery?

**A**re managed personal equity plans a good deal? Statistics suggest Peps providers get more from running schemes than investors are receiving in tax breaks.

Whitehall estimates the exchequer will lose only £150m in revenue from Peps this financial year - cash which, largely, represents the savings to investors from receiving company dividends tax-free. The savings are made up of basic-rate tax credits which City institutions reclaim on behalf of their Peps customers, plus the freedom from any further income tax enjoyed by those who are 40 per cent taxpayers.

The amount seems small when set against the £14bn now estimated to be invested in all Peps schemes, but it reflects two simple phenomena. The dividend yield on ordinary shares is very low at present: those in the FT-SE 100 are yielding only 3.8 per cent gross. And the tax credit reclaimable on company payouts is now only 20 per cent.

Shares worth £14bn now generate around £532m in gross dividends, on which reclaimable tax credits amount to £135m. Take into account the extra tax savings to higher-rate taxpayers and the £150m estimate looks reasonable.

Around £7bn, half of the £14bn, is held by Peps investors directly in company shares although the cash has to be channelled via a Peps provider in a so-called "managed Peps"

rather than through unit and investment trust Peps schemes. So, it is reasonable to assume that £7bn, or 50 per cent of the £150m tax saving, flows to direct Peps investors.

These allow shares for themselves or allow the provider to do it for them. Either way, providers levy an annual management charge - typically, 1 or 1.25 per cent of portfolio value (which makes many such Peps worthless for basic-rate taxpayers now the tax credit has been cut). It is not hard to see that, on the £7bn held by these investors, providers reap a handsome harvest - revenues of £70m to £87.5m in annual fees alone.

The Peps industry sometimes charges fees for opening Peps, closing them, making cash withdrawals... just about anything it can think of. According to some estimates, providers of direct Peps get £100m in annual revenues while the investors who pay these fees collect £70m in tax savings. Hijack or daylight robbery?

As for the other £7bn held via unit and investment trusts, many managers make great play of charging no extra to Peps investors. These in a unit trust pay the same, via annual management charges and the bid-offer spread, as a non-Peps investor. But if, as the providers always argue, Peps are costly to administer, then are their non-Peps customers subsidising their Peps clients?

Nick Gilbert



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## FASHION

# Wrap up your shopping list

*A chic scarf makes a good gift, says Lucia van der Post*

If you are still wandering around with a distraught air, wondering what to buy for your nearest and dearest this Christmas, the fashion must-haves for women this winter are squashy hats, an important shirt, and scarves, scarves, scarves. If in doubt, head for a chic emporium where the taste is impeccable and all you need to do is select the price bracket.

Londoners could pick up a crinkly silk scarf (or better still, three or four in assorted colours to be worn together, £39 a time), an Equipment silk or, more Christmassy, a velvet shirt or a Prada handbag at Joseph.

At Harvey Nichols you will find one of the best costume jewellery counters in town. If her tastes are more avant-garde it is not as well known as it should be that Liberty now has one of the best modern designer floors around (Issey Miyake, Koji Tatsumo, Sophie Malig, Vivien Westwood et al).

There is hardly a forward-thinking woman who would not give her eye-teeth for one of Issey's crinkly wraps or skirts, one of Koji's cob-webbed vests. If you can't run to those prices then Whistles and, amazingly enough, C&A and Warehouse, do very passable versions of crinkly

gear all their own.

Less expensive, but just as desirable, are the crocheted cardigans (£37) at Agnès B, at 111 Fulham Road, London SW3. (Mail order tel: 071-225-3477).

And, if you are still flummoxed, let me assure you that nobody ever had too many absolutely plain cashmere sweaters. Errol has round-necked, V-necked and polo-necked sweaters and cardigans for men and women for £59.50 a time in most classic colours. If you order today (tel: 071-731-7672) it will be despatched in time for Christmas if it has the colour in stock.



■ Left: The soft, floppy hat is one of this winter's hallmarks. Herald & Heart Hatters did so well with its folding, all-purpose summer Panama that it has produced a floppy winter "Hat-in-a-box" in velour felt. In black, red, navy or chocolate brown it comes with a stretch black velour band and a black braid hat pin. £90 from 131 St Philip Street, London SW8 3SS. Tel: 071-527-2414.

■ Right: Anya Hindmarch makes evening handbags and has developed a cult following. The little one featured here comes in black, red or a host of other colours. Made of grosgrain with a tassel handle it is £155 from Anya Hindmarch, 91 Walton Street, London SW3. She will also make to order.



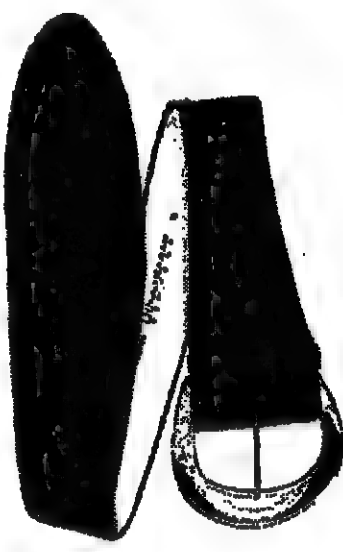
■ Left: An evening jacket in rich grosgrain could transform many a dull outfit besides keeping its wearer warm and comfortable. Sam Browns of 58 Fulham Road, London SW3 and 135 Wandsworth Bridge Road, London SW6 has them in two colour schemes - black and red (with either a red background with black swirls or vice versa) or black velvet teamed with black grosgrain. Sizes 10 to 14, they are £280 each. Matching skirts, £86.

■ Right: Black suede gloves lined in pure silk and lent an air of glamour by brilliant multi-coloured paste jewels. By Christian Lacroix, in sizes 7 and 7½, they are £175 from Browns of South Molton St, London W1Y 1DA.



■ Left: Oliver King, a former Junior World Snooker Champion, is a connoisseur of waistcoats. As fashion writer Avril Groom points out: "It is an essential part not just of his working kit but of his image and it has to be absolutely right." King thought Tom Gilbey's blue and cream silk brocade version, with its long cut and slim fit has an almost 18th century elegance. £176 from The Waistcoat Gallery, New Burlington Place, London W1. Other good ones are Georgina von Etzdorf's shot velvets (£185) and Mulberry's subtle check brocade (£145).

■ Right: The kind of belt that every wardrobe needs - wear it with a body suit, with trousers, over a sweater or with a dress. In black suede by Donna Karan it has a gold vernell dipped buckle and comes in two sizes, at £165, from Browns of South Molton Street, London W1Y 1DA.



is she, like most of the female population of Britain, under 5ft 6in tall? If so, she may well have difficulty in looking good in many of her favourite designer's clothes. Laura B, who sells her own brand of glamour dressing to a host of sophisticates about town, has made a speciality of always having a supply of sophisticated clothing for those who are kindly called "petite" and less kindly just plain short.

She has her designs specially made in Paris on a petite last and uses many of the same fabrics as many a high-profile designer name. Her black wool crepe suit with the white lapels has been a winner this winter -

the perfect lunching outfit at £495 whilst her chic striped black and beige trousers (£295) are blissfully comfortable.

The black wool jacket (£275) ought, of course, to go with plenty of other things already lurking in the wardrobe. If a complete outfit is not what you had in mind there are stunning belts of leather with gold tarnished buckles at £65 - £95, soft angora wool sweaters (£85) with matching shawls and a wonderful white lace blouse with pirate sleeves and frilly jabot (£195). Laura B is at 28b Walton Street, London SW3 2HU.

Gardening / Robin Lane Fox

## Festive planting - no need to panic

*A few simple preparations mean you can enjoy your Christmas celebrations before braving the elements*

The weather is wonderfully unpleasant but the Christmas holidays loom and, in my mind's eye, I see *Weekend FT* readers as planters, wading into the thick of it with a sodden newspaper and a pair of designer gumboots. The coming break gives us all a chance for replanting and improvements. But what do you do if you cannot face the elements on the morning after the plants arrive?

It depends where they come from. If you have bought them at a garden centre, you could well have paid over the odds but you will be under less pressure. The plants will be potted-up already and can wait for your convenience. They can wait quite a while; indeed, several people have been waiting for my convenience since June. They are none the worse for the interval but the one danger is a severe frost. If it works down into a pot, it might turn the plants into pulp when it starts to thaw. Last year, I lost several agapanthus, rotted by a thaw which I had not anticipated. A hard winter costs nurserymen as many plants from rotting as from freezing. If you foresee trouble, move any plants bought in pots into a shed or under cover.

If you have ordered roses, shrubs or trees from a nursery, you can expect delivery any time now after a slow start to lifting during the frosts in November. Among our bigger nurseries, my favourite remains Scotts of Merriott, Somerset, now in the third generation of family ownership.

Most of its business is by mail order and it is not alone in believing that this form of retailing is making a comeback, just after many small nurseries pronounced it impossibly expensive and gave it up. The reason is that the parcels of plants go nowhere near the well-meaning fumbles of the post office. The new express delivery firms now carry many of the nursery's mail orders of shrubs and trees, along with the various goods of other home shopping catalogues.

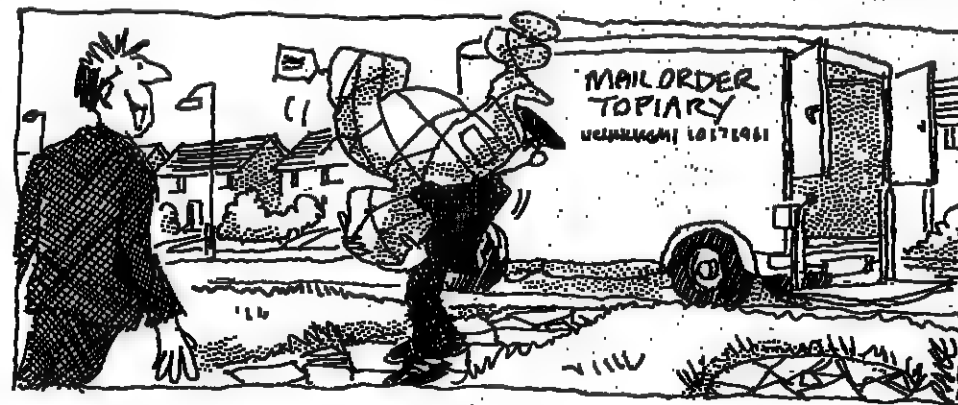
As a result, orders arrive within two days of despatch at a cost which is way below the price of the post office's friendly meander. It is no longer prohibitive to order trees, fruit and roses by mail from a catalogue. If mail order revives for the nursery trade, will we all want to pay an extra 30 per cent or more to buy similar plants at our local garden centres?

One view is that garden centres will narrow down and become plant centres; the big DIY stores will sell garden extras more cheaply and will offer a simplified range of clean, attractive plants to impulse buyers. Keen gardeners will revert to specialist nurseries, using their *Plant Finders* to put them in touch with the new potential of mail order, delivered outside the national postal network.

If they do, they will be glad for advice on planting from Scotts. For instance, what do you do with a straw-wrapped parcel if it arrives when you are up to your ears in work and parties? The answer is refreshingly simple: leave it alone for a few days until you are ready for it.

If you are only half-ready, you can loosen the string and allow air to circulate while burying its lower length in the ground. If the ground has frozen already, keep the package in a cool, dry place. The one fatal mistake is to bring it indoors or buy a heater so as to keep it warm.

In short, a sudden pre-Christmas delivery is no cause for panic. If you have ordered fruit trees or roses, they will probably arrive with bare roots. When you unpack them eventually, soak the roots in a



bucket of water before planting them or covering them over in a temporary trench outdoors. They can wait until mid-March, but I have reverted to the older view that roses, at least, are best transplanted before the new year.

When you plant them, harden your heart and do what most amateurs tend to avoid: prune the new arrivals, removing at least half of the upper

stems of the old-fashioned varieties, and reducing climbers and ramblers to no more than 2 ft. This pruning sounds extreme, but it is the way to avoid weak roses later.

As for those plants that arrive in pots or fresh out of them, the growers at Scotts have a useful tip. The roots may well have started to run round in a circle and chase their tails in a tennis ball of

peat compost. Unpot them and run a sharp knife down one side of the root ball in order to scuff it and encourage new roots to face outwards, not inwards, into the circular tangle.

If mail order is going to make a comeback, these little matters of treatment will need to be remembered.

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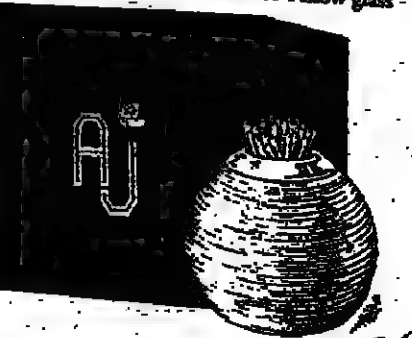
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## FASHION



Clockwise from left: navy taffeta dress, sizes 3-6, £28.99 from Debenhams. Shoes, £24.99 from Russell and Bromley.

Navy wool blazer, £165, matching trousers, £87.50, cotton shirt, £35, silk tie, £18.50, all sizes 4-14 from Burberry, Haymarket, SW1, Regent Street, W1, Glasgow and Edinburgh.

Printed polyester/cotton waistcoat, £37.50, black wool/polyester trousers, £47.50, both by Fairbanks from Harrods, Knightsbridge. Blue chambray shirt, £3.99 from BHS.

Black viscose velours dress with lace collar, sizes 5-12, from £23.99 from Children's World branches.

Green tartan taffeta dress by David

Charles, sizes 4-10, £139 from Harrods.

Deep green and maroon acrylic sweater, £10.99, blue chambray embroidered shirt, £10.99, maroon cord trousers, £2.99, all sizes 1½-6 from Children's World. Shoes £33.99 from Russell and Bromley.

Navy and green silk taffeta

smocked dress by Daks, sizes 4-8, £189 from Simpson, Piccadilly, W1. Shoes, £24.99 from Russell and Bromley.

Red cotton velvet dress, sizes 2-7, £45.95 from Laura Ashley. Shoes, £49.50 from Buckle My Shoe, 071-935-3599 for stockists.

Hairdressing: Kaz Simler

BELOW: (from top) Denim shirt, £9.99, wool trousers with braces, £8.99, sizes 1½-5 from Boots.

Beaded cotton handknit cardigan, sizes 2-10, £135 from Artwork, St. Christopher's Place, W1 and Thomas Neal Centre, WC2.

Black velours leggings, £15.99 from Marks

and Spencer. Hat, £9.99 from Boots. Beads, £7.50 from Harrods. Loafers by Start-Rite, £43.50 from Russell and Bromley.

Red cotton/polyester dungarees, £39.99, matching bag, £14.99, cotton/acrylic polo-neck, £9.99, by Baby Boo (071-371-5467) for orders. Red boots, £38 from Buckle My Shoe.



From left: Red Vivia pinafore dress, £29.99, white embroidered blouse, £19.99, both from Trotters, Kings Road, SW3 and Kensington High Street, W8.

Red crushed velvet waistcoat, sizes 4-10, £22.99 from Rolfe Designs, 071-706-7605 for orders. Green check cotton shirt, sizes 6-7, £37, deep green wool shorts, sizes 2-5, £44,

green wool socks, £10, all from Young England, Elizabeth Street, SW1. Loafers, £34.99 from Trotters.

Dark green and red Vivia pinafore dress with pique applique, £29.99, white blouse, £19.99, both from Trotters.

Christmas tree, decorations and toys from BHS.

## Catwalk style for kids

Avril Groom searches the clothes racks for fashion gifts for youngsters

**T**he gap between what children want to wear and how their elders would like them to dress is bigger than you think. Searching recently for some civilised clothing to tempt an 11-year-old, whose idea of chic is an outsize man's T-shirt and black jeans artistically holed at the knee, I suggested the casual but classic combination of a denim shirt and chinos.

"Yuki" came the outraged reply, with a look of deeply affronted dignity. "That's what dad wears."

Now, in the interests of family unity, what you do not need on Christmas morning is a reaction like that from your little darling when he/she opens a parcel from gran or great-aunt, especially if said elderly relative is there beaming fondly.

So, if gran likes to indulge your children with clothes, a little prior consultation is a good idea. The world's most wonderful smocked silk dress is a disaster if it is banished to the back of the wardrobe by a disdainful child.

Babies are easy to cater for. The only person likely to complain at the gift of a white satin, hand-embroidered romper suit is the mother, as she visualises it splattered with pureed apple. The traditional source of such delights is The White House, but another name to look for is Heather Brown whose hand-embroidered and smocked, washable styles are available at Fortnum and Mason, Polyantha of Fulham Road and New Arrivals of Banchory.

Little girls are normally delighted with any full-skirted party frock but where you would prefer it in sober navy taffeta or dark tartan they like sugar-sweet pink. This objection is easily overcome, however, with a stiff net under petticoat and a skirt full enough to "twirl". A tiny matching hat and hair band are other inducements - Young England, Trotters and Bambino have dresses with matching sets. The smocked silk dress is still a winner and Daks' new children's range includes a white-collared style in dark or neutral checks that is beautifully made and not over-glitzy.

Small boys look sweet in cords, smart shorts and Fair Isle jumpers but over four they find velvet knickerbockers, Peter Pan collars and bow-ties pretty hard to take. Any granie coming up with the Little Lord Fauntleroy look probably deserves rebellion. But traditional style is reasserting itself in the market and pragmatic parents, who do not wish a small fortune to be spent on something that will be shortly outgrown, could suggest Debenhams, Marks and Spencer, BHS and Children's World as sources of tasteful,

good-looking childrenswear with unguessable price tags. Laura Ashley, who regard traditional style as their forte, also have a particularly good Christmas range.

Older children are more tricky. The strictures of school uniform create a healthy disregard for formality on high days and holidays. Boys seem to reject anything other than denim, though a navy blazer is

one classic acceptable to most, anything from Burberry's sharply-cut version to Marks and Spencers' soft moulton style, about £50.

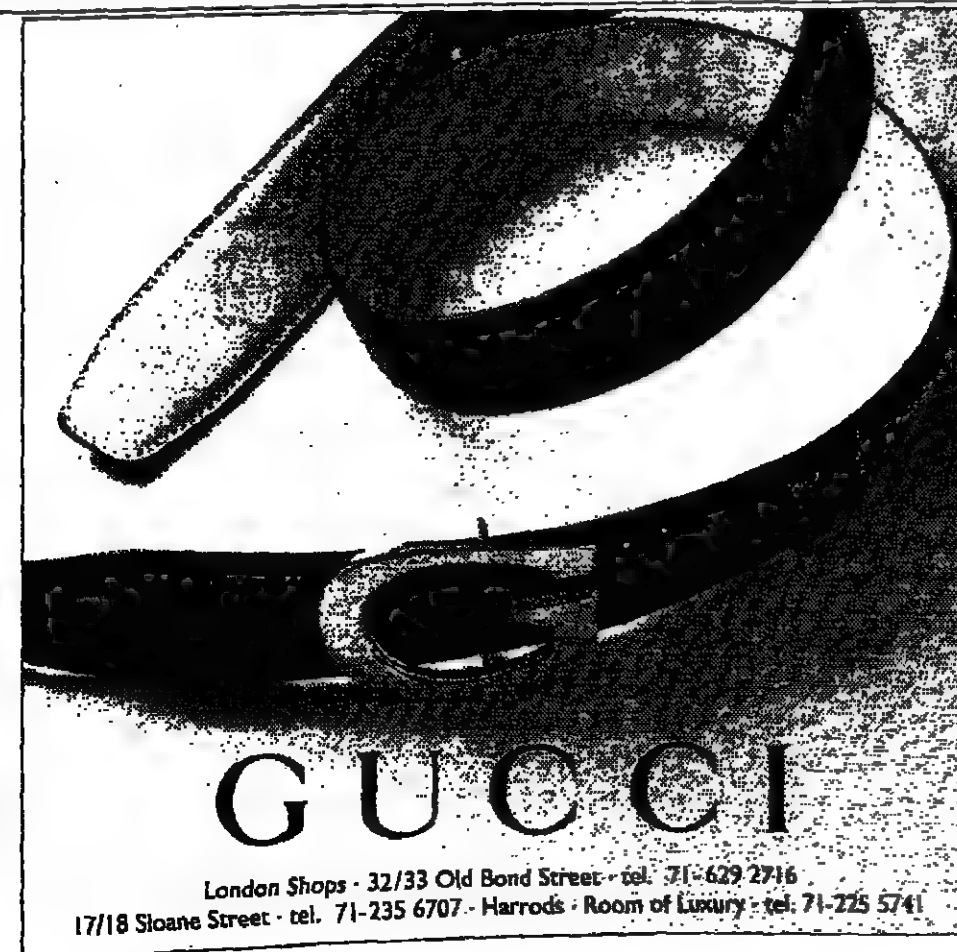
A fun alternative is a waistcoat - plain, velvet or damask. These also find favour with girls, who respond surprisingly early to adult trends. A waistcoat over a long white shirt, big, bright knits with leggings, and velvet (especially

black) are ideas that have gone straight from the catwalk to the under-tens. Velvet is your best weapon in persuading an older girl to wear a traditional party frock - she will think it immensely sophisticated.

Harrods has crushed velvet waistcoats, long fluted skirts and organza shirts among their more traditional offerings. At chainstore level, BHS has fetching velvet or cotton

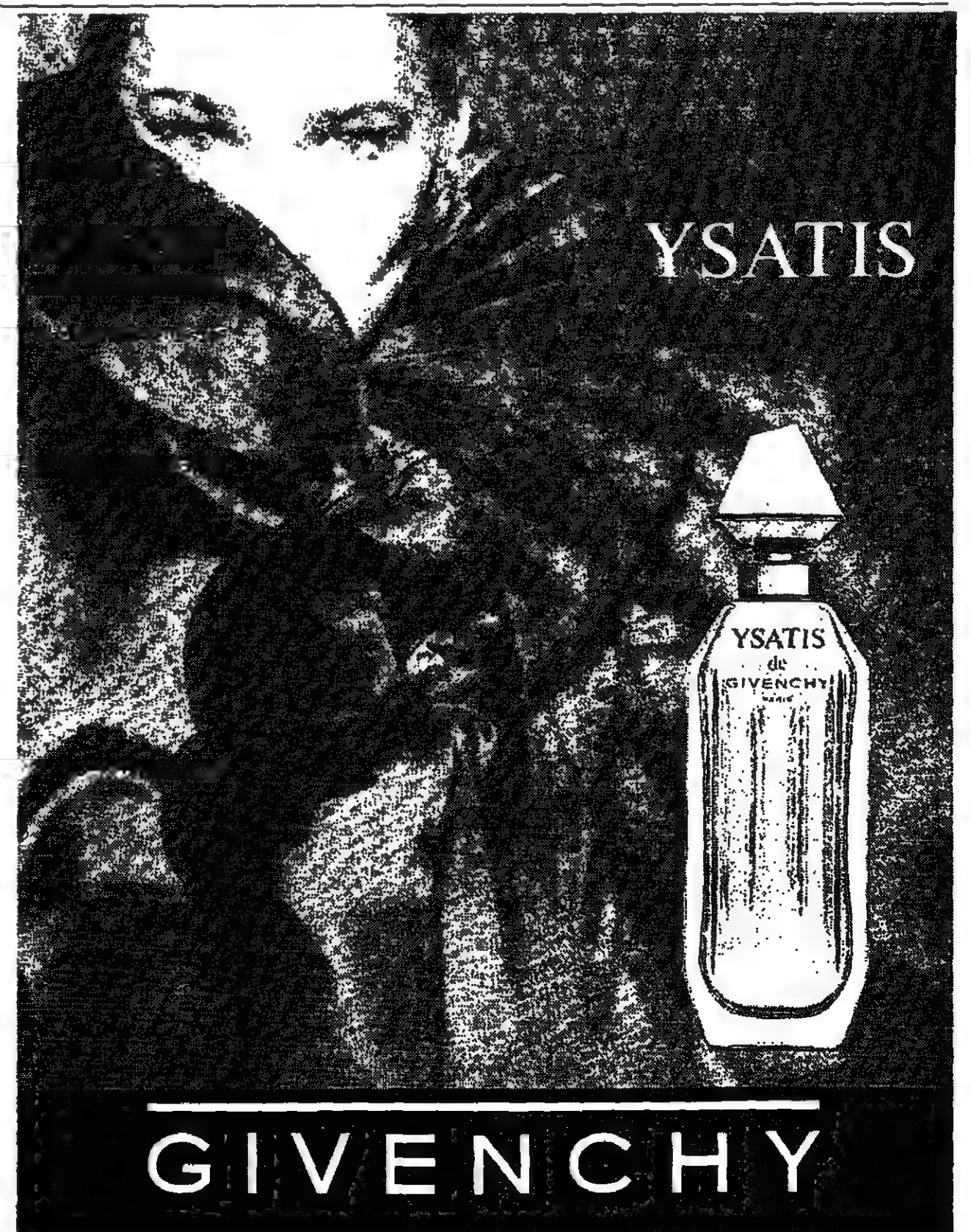
embroidered or beaded waistcoats and long, silk skirts. Debenhams can supply boys with dark, washed-silk shirts.

The best small present for a girl this year is, without doubt, a squishy velvet hat. This will be accepted with gratitude and worn everywhere. And that is the greatest compliment a grandparent could possibly receive.



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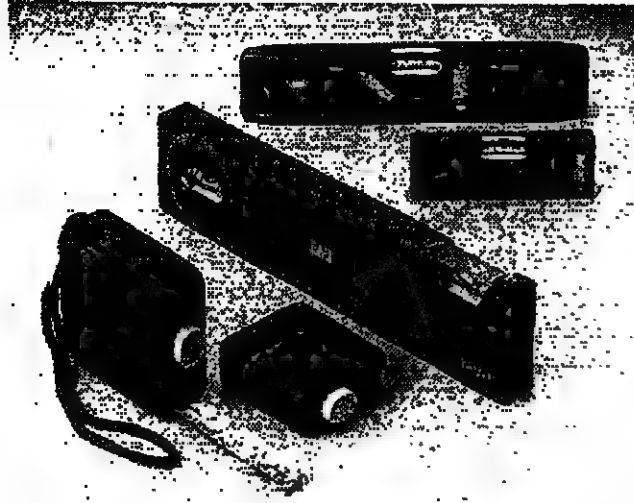


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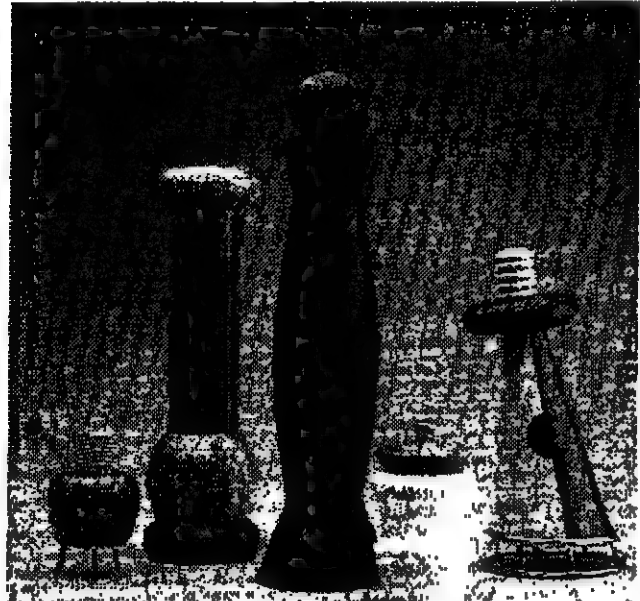
## HOW TO SPEND IT

## Alternatives to after-shave



Set of finely made German tools - ideal for the graphics set, for architects, for the do-it-yourself brigade. Made in West Germany by BMH there is a steel measuring tape (varying sizes, prices range from

£14.85 to £27.85) and a range of spirit levels, the mini version starts at £5.25, one with an inbuilt magnet is £10.15 and the biggest £15.05. All from Oggetti, 133 Fulham Road, London SW3.



Pepper-mills can be more than just kitchen utensils - these are works of art. From left: three-legged briar peppermill designed by Adelberto Piroli, £85.90; red, black and yellow aniline coloured beechwood peppermill by Ettore Sottsass, £98.35; black lacquered beechwood by Bettino Pizzoni, £35.95; orange and ivory lacquered ash by Massimo Iosa-Ghini, £39.30. All from Oggetti, 133, Fulham Road, London SW3 8RT.

Tired of buying cardies, socks and after-shave for the men on your Christmas shopping list. Occasionally, inspiration strikes - a precision lens for his camera, the artefact that is perfect - but more often many of us are floundering. For those who are still looking, here are a few suggestions.



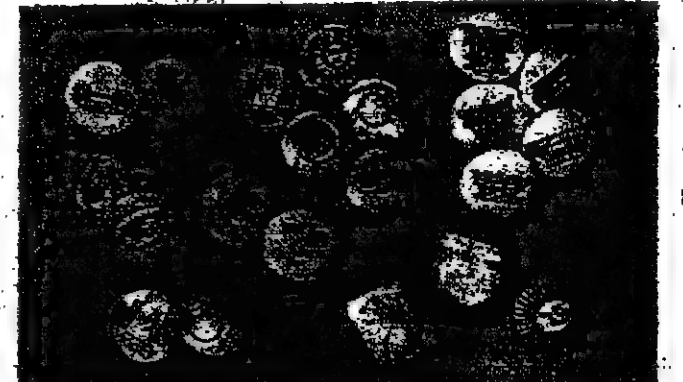
Fornasetti, the Italian designer is enjoying a new vogue. Themes & Variations of 231, Westbourne Grove

has a vast selection of his designs, ranging through furniture, magazine racks, trays and plates such as the

one photographed here which is one in the series called Themes & Variations and sells for £55.



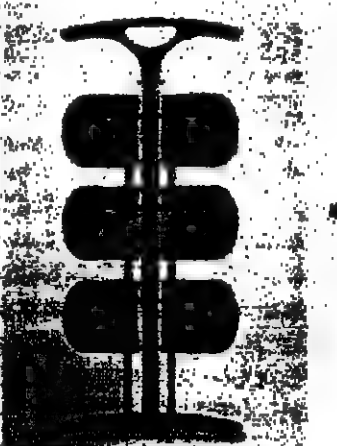
Train slippers by Hergé Corp, exemplifying the coming trend in footwear - on-matching pairs. In all sizes, £28.95 from Authentica, 45, Shelton Street, London WC2.



Fornasetti collates rings a change from the plain gold variety. £30 a pair from a range at Paul Smith, 45, Floral Street, London WC2.



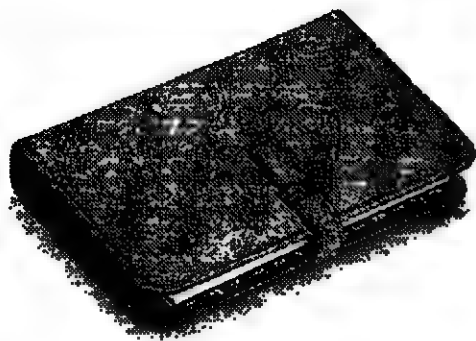
This stand, ballpoint pen and letter-opener is silver-plated. Designed for Authentica, £28.95.



Folding slings, £120, from Adam Design, 65 Fleet Street, Hammersmith, London W6 6UG.

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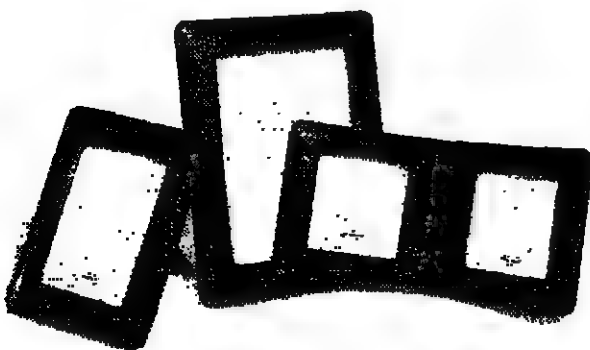
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## HOW TO SPEND IT

# Fake is fine for that Christmas sparkle

From old gold to modern costume jewellery, there are plenty of pretty baubles to put under your tree, says Lucia van der Post

I have not met a woman yet who has complained of having too much jewellery. Not enough, perhaps, or even too much that is too cheap but too much per se? Never.

If in doubt when seeking to please your nearest and dearest, just think small. Think of an intimate little packet, exquisitely wrapped, that comes charged with meaning, that speaks of love and caring, of forethought and generosity. These may be the days of equal opportunity, when so many women buy their own jewellery. Even so there is nothing finer than a piece bought by He Who Cares.

There are those, diminishing in number, for whom the only jewellery that matters is real. Apart from the grand *jewellers*, the Bouchérons and Cartiers, the Garrards and Chaumets and Bulgari, there is now a group of jewellery designers which has realised there is a market for those who want their jewels real but up-to-date.

The grand soirées of yesterday have been replaced by a raft of business meetings. The need for a sculptured brooch or carefully-chosen necklace which can see today's working woman through from the school-run in the morning to the dinner party has grown. Jewellers such as Kiki McDonough are sought after because they have intrinsic value, a reasonable price and are wearable in a modern context. Although they are far from rock-bottom, they are infinitely more affordable than those at the traditional *haut-jewellers*.

Kiki has a host of fashionable customers who like her jewellery because it is real but does not shout. As Juliet Hambro, one of her devoted fans, says: "I wear Kiki's necklaces and earrings all the time because it adds a finishing touch to an outfit and yet it never clamours for too much attention. In my job (financial investment consultant) I often have to travel all day and attend luncheons, meetings and dinners. I can wear Kiki's ebony and gold earrings or her haemorrhoid necklace from morning until night."

At Kiki McDonough there are lots of gifts at under £1,000 - 18-carat gold and malachite ear-rings, for instance, bold and stylish at £495, simpler nine-carat gold earrings for £285.

Boodle & Dunthorne is an old-established jewellers from Liverpool which this year opened a grand new store in Regent Street. There are antique pieces but also lots of choice for those who need a brooch to enliven a working suit, some earrings to add a little glamour to an all-purpose coat. Choose from bold earrings in gold (£455) or a mixture of silver and gold (£300) or some of Leo de Vroomen's strong enamelled pieces



Chloe Annett, who stars in *Jewels*, this week's infinitely forgettable mini-TV series, is young and pretty. And since the plot required her to wear lots of baubles she has become interested in jewellery.

Flor, the Knightsbridge and Bond Street jewellers which specialises in making finely-crafted costume pieces that look like the real thing, and Buccellati, the Italian jewellers, have between them supplied all the jewels for the series.

To Chloe Annett it was a revelation seeing just how well-made some modern costume jewellery can be.

"I thought the jewellery was wonderful. Until then I had mostly worn pieces given to me by my grandmother - I might attach them to lengths of velvet and wear them as a choker. I have a large mother-of-pearl cross which I would wear, for instance, with my Kenzo dress with the shorts underneath. I also have a lovely gold and platinum ring with two tiny diamonds given to me by my boyfriend."

She is photographed here wearing what she intends to wear on Christmas Day - a black Lycra-velvet mini-dress (£225) by Michele Holden of 48 Beauchamp Place, Knightsbridge, London SW1. Michele Holden is a dressmaker who (unusually) combines a made-to-measure business with ready-to-wear. With the dress she is wearing a set of necklaces (£235.50), bracelet (£185) and ear-rings (£30.95) worn during filming. All are rhodium plated, hand set with diamonds and synthetic rubies and all come from Flor, 27 Brompton Road, Knightsbridge, London SW3 or 31, New Bond Street, Mayfair, London W1.

(£3,450). More strong pieces are to be found at Tiffany (and, of course, there is something deliciously enticing about those turquoise blue little boxes). Avoid, unless you come into that category of never having to inquire about the cost, the ones in the brochure which are

Photographs by Tim Jenkins. Make-up by Michaela Morgan.

marked "prices upon request". Turn instead to more affordable items - such as Tiffany's own signature collection, Paloma Picasso's pink tourmaline earrings (£1,575) and Elsa Peretti's sculpture sterling silver pieces which start at £60. There is also a delicate gold chain with a floating diamond which at £315 would make a lovely present for a favourite

god-daughter.

Those for whom these prices would cause Micawberish unhappiness should not be downhearted. Fake these days is fine. In the real world even those women who have beautiful inherited pieces often mix them with fake. Countess Alexander of Tunis, for instance, is a great fan of the reproduction jewellery of Flor. "I work as a special events organiser and when I did this for Chaumet I used to have access to their splendid real jewels. Now that they have closed down their London operation I miss it. I often mix pieces from Flor or Butler & Wilson with real pieces. Buying costume jewellery enables one to have much more variety - for instance: I have long 'pearls', short 'pearls', 'pearl' chokers," she says.

Besides Flor and Butler & Wilson, many an aristocratic lady who lunches is actually glinting away in inexpensive costume jewellery sold by each other to each other. Becky Blandford, for instance, mother to the future Duke of Marlborough, sells the Caura range of jewellery designed by Eric van Peterson to her well-connected friends.

From the Caura catalogue bold gold earrings (base metal dipped in 22-carat gold) sell for £19.15 a pair, a necklace of "gold" baubles for £90, three rows of "pearls" for £35 and some fashionably classical "gold" and "amethyst" earrings for £19.15. There is much more in similar vein.

I have seen Agatha's earrings adorning some very aristocratic lobes indeed. It is a very clever costume jewellery



Shebah Ronay is a 22-year-old actress and daughter of Edina Ronay, the designer, who will shortly be appearing on TV in a new series of *House of Eliott* and *Love Hurts*.

When it comes to jewellery she likes it simple.

"Often I make my own - I buy beads from a shop called Hobby Horse and make necklaces and bracelets. There are two rings that I always wear - a heavy gold wedding band which was a present from my grandmother and a ruby ring that I bought for myself. Many of the pieces I own have been given to me as Christmas presents but I am lucky in that my mother has the most amazing collection of costume jewellery which she has collected from places like Merle and antique shops and so I often borrow from her when I'm going out."

For Christmas Eve she will be wearing a maroon velvet jacket designed by her mother (£425 from Edina Ronay, 171 King's Road, Chelsea, London SW3).

"I love its long cuffs and lapels," says Shebah. "It is subtle, yet glamorous in a classic way. There are trousers to match (£225) but I'm actually going to wear them with some viscose trousers also designed by my mother."

She is photographed here wearing it with the sort of jewellery she likes: "very simple and yet complementing the clothes."

The gift and pearl earrings are £75, the bracelet is £85, both are from Celine, 91 Soane Street, Knightsbridge, London SW3 and 28 New Bond Street, London W1.



Fake 'pearls' worn on the ears (£10), neck (£34) and wrist (£30 each). From Agatha, 4, South Molton St, London W1.

enterprise brought over from Paris. It has all the fashionable icons of the day - the "pearl" cross (£19), the plain bold "gold" earrings (£17), the big, bold ring with classical overtones (£19), the "amber" heart-shaped pendant (£12) and the "ebony" cross (£10). So take heart: it really is the thought

that counts.

Kiki McDonough is at 77c Walton St, London SW3 5ET. Telephone: 071-581-1777.

Boodle & Dunthorne, Boodle House, Lord St, Liverpool, 1 King St, Manchester, 128-130 Regent St and 59 Brompton Rd, Knightsbridge, London.

Tiffany & Co., 35 Old Bond St, London W1X 3AA. Telephone: 071-409-2790.

Caura, 45 Stockwell Park Road, London SW9 0DD. For a catalogue or the jewellery itself tel: 071-274-6575. Ask for Sallie Butler.

Agatha, 4, South Molton St, London W1. Telephone: 071-585-3778.

Garrard, 112 Regent St, London W1.



Sally Burton, widow of Richard, loves jewellery but her tastes have changed. "I always think about big jewellery that you need a man to buy it for you and a man to undo it at the end of the day. Obviously there was a time in my life when I used to wear the big stuff which was bought by Richard and which now sits in a vault in the bank. Now that my life has changed I still like real jewellery but I go for quieter, more subdued ranges."

"I also like costume jewellery such as Chanel's great big earrings and I collect pieces from Merle in Walton Street - all the beautiful 20s stuff. I have dress-clips

in diamonds and dangly Bakelite earrings - most of the materials are intrinsically inexpensive but it is the design that appeals."

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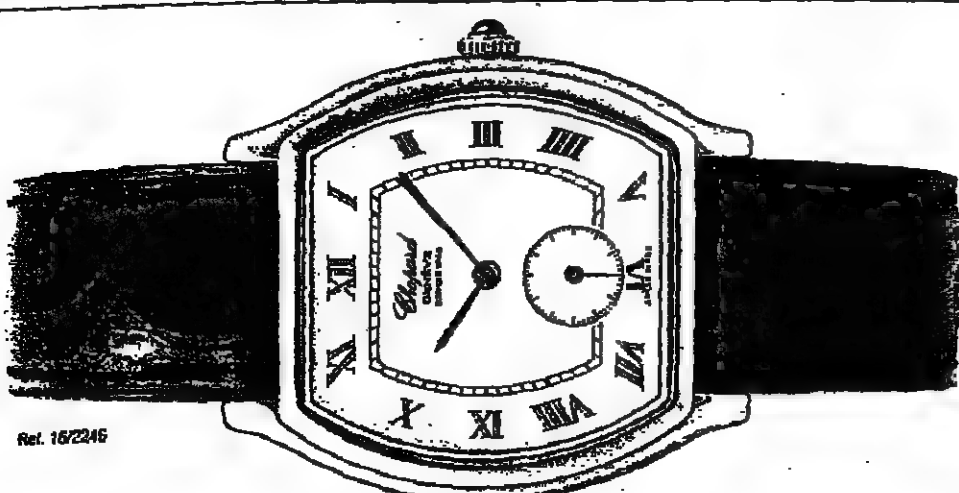
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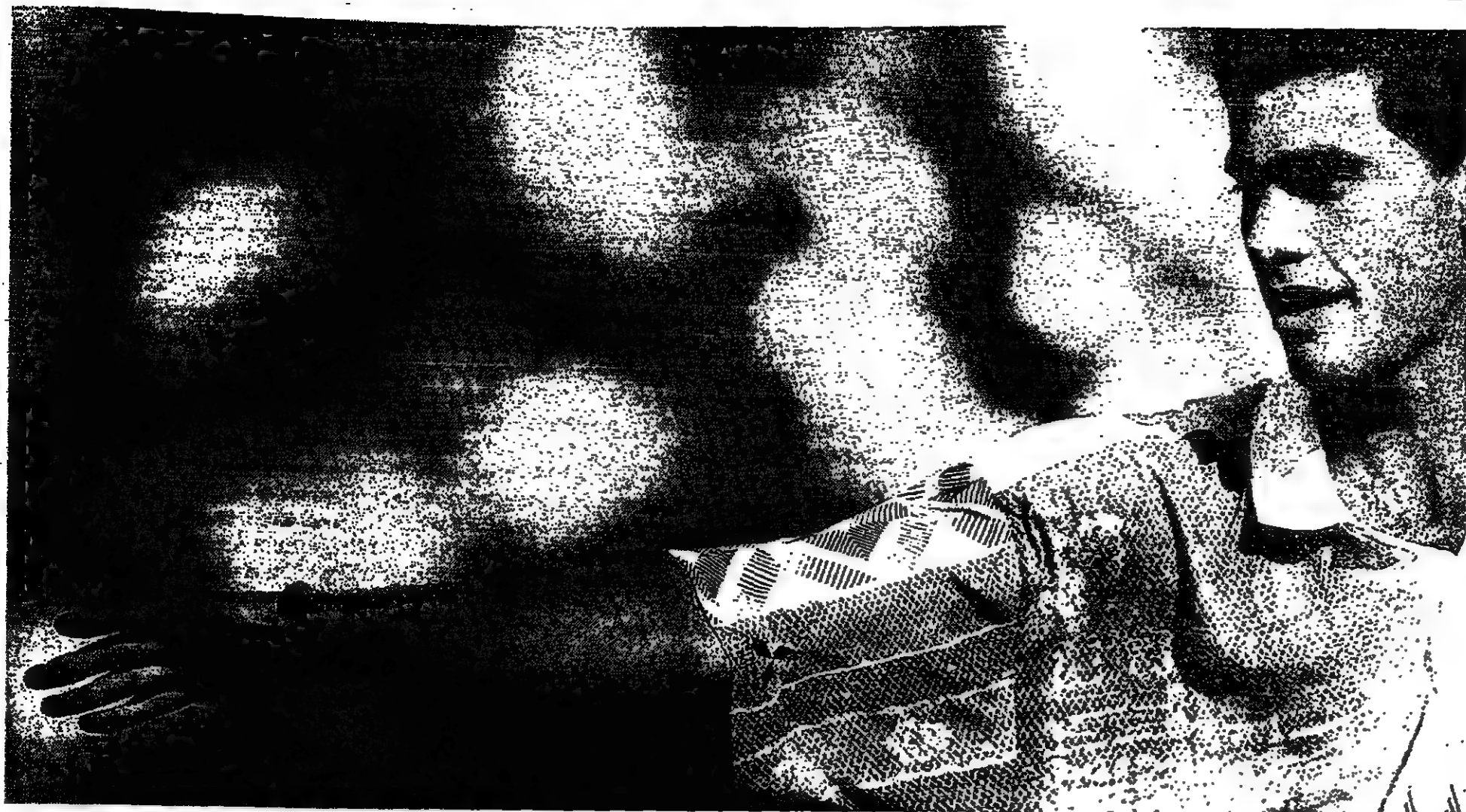
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## SPORT / MOTORING



Reaching for the top: Pete Sampras has the world's No 1 ranking firmly in his grasp

Tennis/John Barrett

## The rise of a young champion

It is time once again to produce the annual FT World Rankings, necessary because the men's and women's computer rankings are unfairly weighted. The ATP Tour system counts only a player's best 14 results (bad losses can be ignored) and does not offer the four Grand Slam Championships their full value. The WTA system protects the higher ranked players who do not drop quickly enough after poor performances.

No-one would question that the 22-year-old American Pete Sampras and Germany's Steffi Graf, now 24, have been the outstanding players of the year. These two fine athletes head my lists in which there are five men who were not in last year's list and two newcomers among the women.

With two of the four Grand Slam titles (Wimbledon, US Open) among his eight tournament victories, Sampras has enjoyed the best season of his young life. He has won 85 of the 101 matches he has played and pocketed \$4.58m to lift his career earnings to \$11.5m. It now seems likely that Sampras will fulfil the potential he had shown in 1991 when, at 19, he became the youngest US Open winner. Only in this year's two climactic events - the IBM ATP Tour finals in Frankfurt and the Compaq Grand Slam Cup in Munich - has Sampras looked vulnerable. First, Michael

ATP World Rankings - Nov 1993	
Rank	Player
1	Pete Sampras (USA)
2	Steffi Graf (GER)
3	Andre Agassi (USA)
4	Yevgeny Kafelnikov (RUS)
5	Thomas Muster (AUT)
6	Michael Stich (GER)
7	Greg Rusedski (CAN)
8	Mark Philippoussis (GRE)
9	Tim Laverie (USA)
10	John McEnroe (USA)

Stich, with brilliant serving, and then Petr Korda, with superb returning of the serve, halved his advance. In the absence since April of the reigning world champion Monica Seles, following the knife attack by Gunter Parche in Hamburg, Graf has dominated the women's year with 10 tournament wins. The only real challenge to her supremacy on the important occasions came from Jana Novotna who should have won their Wimbledon final after leading by a set and 4-1. However, she did not, and Graf added a fifth Wimbledon title to the third French crown she had just acquired and then went on to win the US Open for the third time. For good measure Steffi also claimed the Virginia Slims Championship, her 7th career title, to end the year with 76 wins and six losses, all of which

earned her prize money of \$2.8m, a record for women.

The men's year was notable for the return to form of the 1991 Wimbledon champion Stich who re-enters the list after a year's gap. Stich finished the season strongly winning the ATP Tour championship, leading Germany to victory in the Davis Cup and reaching the final of the Grand Slam Cup.

But Stich does not displace Jim Courier from the No 2 spot (which he did on the ATP computer) because of his failures on the four most important occasions of the year. In Melbourne he lost to Courier, who went on to win the title; in Paris he lost badly to Goran Prpic in the fourth round while Courier lost narrowly in the final; at Wimbledon, where Courier was also a finalist, Stich lost a dramatic quarter-final against Becker;

in New York, Stich was beaten in the first round by Henrik Holm while Courier lost in the fourth round to Cedric Pioline, his only bad loss. It was chiefly that performance which earned the stylish Frenchman ninth place in my list. Pioline had a marvellously consistent year with three other appearances in finals.

Sergi Bruguera's feat in winning his first major title in Paris, was considerable. The Spaniard also reached eight other finals, winning four of them.

After a mediocre year by his standards, Stefan Edberg drops to No 5. His best performances were to reach the final of the Australian Open and the Wimbledon semi-final where Courier beat him both times. Only one tournament fell to this great attacking player in 1993: ironically, the clay court event in Madrid.

Andre Medvedev, only just 19, made a great impact with three wins from five finals plus an appearance in the French Open semi-final. Michael Chang, with five tournament wins, had his best year since winning the French Open as a 17-year-old in 1988. Goran Ivanisevic could not reach a Grand Slam final as he had done at Wimbledon in 1992 and slips four places while the Austrian, Thomas Muster, comes in as the winner of six titles - all on clay.

At first sight it may seem curious to have ranked Seles at all. However, the

world champion did win the year's first great title in Australia with a fine win over Graf. It was one of the season's best matches. Furthermore, she did win another tournament before being forced out of the game with an extended bout of flu. Hamburg was her comeback event. I have no doubt about the quality of her tennis at the time of the attack and her achievements must be recognised.

No-one else in the women's game achieved anything notable. True, Sanchez-Vicario, in winning four tournaments, did play more matches than anyone else (91), and she won more too (77) but she did lose 14 times. Her fellow Spaniard, Martinez, won five tournaments and did well to reach her first Wimbledon semi-final. Although Mary Joe Fernandez was equally impressive in winning the year's most exciting encounter, a comeback against Sabatini in Paris, she was disappointing elsewhere with only one tournament to her name.

It is a pleasure to see Anke Huber at last emerging from Graf's shadow and sad to say farewell to Manuela Maleeva-Fragniere who retires officially after next month's Australian Open. The eldest of the three Bulgarian sisters, Manuela went out on a high note with a victory over Navratilova in the final of the European Indoor Championships in October, her 18th career title.

## Rugby Union

## Put through the ringer

One of the sights of the recent All Blacks' tour of Britain was the mighty winger, Vaitais Tuigamala, a terrifying man, who felicitously combines the destructive potential of a medieval battering ram with intelligence and finesse of the highest order. Even in the All Blacks' sole defeat, by England at Twickenham, there was one moment to savour.

The victim was the younger Underwood. As he took a high kick outside the England 22, he was picked up by Tuigamala, in the manner of a splintered tree trunk being shifted by a JCB. He finally hit the turf 15 yards back, and tottered away, ruefully massaging his flanks.

Had the International Rugby Board's regulations on national qualification been other than a standing joke, Underwood would not have had to suffer so. For Tuigamala is hardly more of a New Zealander than I am a Frenchman. He is a Samoan. He is not alone. The ranks of the two great southern hemisphere sides are bursting with South Sea islanders. Apart from Tuigamala, the All Blacks have Frank Bunce, Steve Bopach and Eroni Clarke from Samoa. Australia have the indomitable Tongan, Willie Ohangwa, and the Fijian flanker, Ili Tabua.

The Europeans are not above such shenanigans. Remember the boots when former Aussie Brian Smith pulled on the green shirt of Ireland - which turned to howls when he left his adopted country in the lurch just before the World Cup. By name, Damien Cronin may sound like a resident of Tannochbrae. But by any meaningful criteria, he is English, as are his fellow Scots, Andy Reed and Neil Edwards.

Nigel Redman, Jonathan Calvert, Stuart Barnes and Simon Halliday of England are all Welsh born. Tony Copsey of Wales is an Essex man with a "Made in England" tattoo.

Whatever the contortions over birthplace, citizenship and grandparental domicile, these men are - to employ a colloquialism - ringers. And as the longtime organiser of a rugby team which was ever oppressed by the need to find 18 players, I am all for them. Gather thy bodies wherever thou mayest is my motto - with one proviso, which I shall come to later.

Of course, there is a limit to the influence a ringer can wield. If the team is useless, he will not be able to transform it into something else. One Sunday, many years ago, the

Welsh and British Lions winger, Clive Rees, was strolling around the pitch on which we were about to play formidable opposition. As usual, we were deficient in numbers, and the obliging Rees was talked into helping out. I suspect he regretted it. We lost 54-0, and not once were we broken-winded, clapped-out forwards able to secure the ball for him to use of his greyhound pace.

I prefer to recall another occasion. We had progressed from the Rees era, and were a reasonable side. But our opponents were better, and knew it. We longed to puncture their air of superiority.

We had a Kiwi playing for us that season. He was called Rex Smith, and he had played for Otago and was well-connected. We told him how keen we were to beat this outfit for the first

time, and he said he would speak to some mates. On the evening in question he produced his two recruits. One introduced himself as Earle - Earle Kirtom, the former All Blacks number eight (and currently the assistant coach). The other was called Sapsford. He was a prop, 18st plus, and could run faster than anyone in our back division.

It was he who did the damage. He took the ball, and thundered at them like a buffalo with a mission. Their defence was demolished like Tannochbrae. But by any meaningful criteria, he is English, as are his fellow Scots, Andy Reed and Neil Edwards.

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## Motoring/Stuart Marshall

## Diesels hit the heights

The year of the diesel car breakthrough: that is how 1993 will go down in the annals of British motoring. Sales rose so fast - to their present 26 per cent of registrations - that industry forecasts at the beginning of the year were overtaken by events.

A year ago, it was agreed generally that 200,000 diesel cars would be sold in Britain in 1993. I had a gut feeling this was a considerable underestimate, but I thought, he nearer the mark. Even this was not optimistic enough. An educated guess puts year-end UK sales of diesels at more than 300,000 in a total market expected to be just under 1.8m.

Two years ago, when only one new British-registered car in 10 was a diesel, anyone suggesting that kind of figure for

1993 would have been told he was hallucinating. Now, it is hardly fanciful to suggest that next year's total could be nearer to 400,000, with one new car in three (against this year's fewer than one in four) having a diesel engine.

There is no simple explanation for why it has happened. It is not as though diesel fuel suddenly has become a lot cheaper than unleaded petrol, as it is in France where close to half the new cars sold are diesels. Probably, it is down to a combination of factors.

The economic and environmental benefits of diesel cars are now appreciated widely. They have become as pleasant as their petrol equivalents to drive, while the price differential between a diesel car and a petrol car with fuel injection and catalytic converter has

narrowed, even disappeared.

The cost of filling a car's tank has increased, and will continue to go up faster than the rate of inflation for the foreseeable future. So, for company car fleet managers, if not yet for all who drive them, fuel consumption has become a matter of practical rather than academic importance.

For years, the French PSA Group (Peugeot-Citroen) has made most of the running with diesel cars in Britain. Now, although its products are as good as ever, they no longer enjoy a monopoly of excellence.

Ford has pulled itself up by the bootstraps. Its Escort and Mondeo turbo-diesels have gained so much power and refinement that they can now hold up their heads in the company of, say, the VW Golf,

Citroen Xantia and Peugeot 405. The latest Granada/Scorpio turbo-diesel, with an Italian VM 2.5-litre engine and very tall gearing (90 mph/145 kmh at only 3,000 rpm), waits along motorways with the silence of the chairman's limousine.

Vauxhall, using turbo-charged engines made by Isuzu, General Motors' Japanese associate, first doubled and then tripled its diesel sales this year. So, too, did VW-Audi, which is now offering the super-economical direct injection diesel, once exclusive to Audi, in the latest VW Passat models.

No car has made a better impression on me this year than the BMW 318i SE I have been driving lately. The turbo-charged and inter-cooled six-cylinder diesel combines muscle with finesse. Push it hard



Ford Granada, a refined and long-legged motorway cruiser with an Italian VM turbo-diesel.

and it goes (indeed, even sounds) like a sporty BMW - but it pulls fifth gear slickly at less than 30 mph/50 kph and will yield 40 mpg (7 litres/100km) on a journey.

Among other competent and pleasantly driveable European-made diesels and turbo-diesels are Fiat's Tipo, the Renault 19, Seat's new Ibiza (exceptionally keen value), the urbane Mercedes-

Benx C-Class and E-Class, and Rover's Montego turbo-diesel estate - which must be one of the most under-rated cars around.

The Peugeot-engined Rover Metro, 200 and 400 diesels are well-built and finished with care. But it is a pity that Rover has not yet produced a turbo-charged and inter-cooled 600 diesel for the company fleet managers who are abandoning

petrol engines to cut costs.

Land Rover has shown that the inherently rather noisy (but exceptionally frugal) direct-injection Rover diesel engine can be quietened significantly. The latest Land Rover Discovery automatic, with 2.5-litre version of this engine, is a class leader for refinement, driving ease and modest fuel consumption.

One large gap in the diesel

car market remains. Where are the automatics? Diesel engines and automatic transmissions are a natural fit, but the majority of makers are reluctant to offer two-pedal models. They think the greater cost of automatic transmission, plus the slight loss of performance and economy, would deter most buyers.

Citroen - a welcome exception - has two-pedal, non-turbo ZX diesels at £735 more than their manual gearbox equivalents. The XM turbo-diesels have automatic transmission as standard, but a two-pedal Xantia diesel is still a little way off.

Automatics are available either as standard or at extra cost on all Mercedes-Benz diesels as well as the Audi 80 and 100 TDiS, BMW 3-Series and 5-Series, and Volvo 940. Other makers really should follow. An automatic, Ford Granada/Scorpio or Rover 500 turbo-diesel must appeal to managers turning to diesel for their company fleets and, looking for something suitable to offer executives.

## The Nature of Things/Clive Cookson

## Forecasters find cash in chaos theory

Meteorologists suffer more than other scientists from people's selective memories. We remember their past sins - above all, in the UK, the failure to predict the October 1987 hurricane - while failing to notice how much more accurate their routine forecasts are becoming. A forecast five days ahead today is likely to be as accurate as a two-day forecast 20 years ago.

But chaos theory, the new science of order and disorder, places a fundamental limit on meteorologists' ability to issue accurate forecasts for a particular time and place indefinitely into the future. The dynamics of the atmosphere are so sensitive to small changes in the starting conditions that even a forecaster with an infinitely powerful computer could not predict the details of the weather a month

ahead. The famous - if far-fetched - example is that the flapping of a butterfly's wings over the Amazon could determine whether a storm develops over New York several weeks later.

As meteorologists began to understand the implications of chaos during the 1980s, their initial dismay was replaced by determination to take advantage of the theory's mathematical insights. Quietly they are developing a powerful technique called ensemble forecasting, which is based on chaos theory.

The UK Met Office is leading the way. Its researchers routinely use the ensemble

method for 30-day forecasts. These are much more accurate than they used to be when long-range forecasters relied on statistics and climatology, finding similarities between the current weather pattern and past years - and hoping it would develop in broadly the same way over the next month as it did then.

The Met Office ensemble forecaster runs the super-computer model of the global atmosphere nine times, deliberately varying the starting conditions on each occasion. From the distribution of different outcomes, he or she can estimate the likelihood of various weather patterns over the

coming month. If all nine runs give the same pattern - say, dry settled weather - the forecaster is more confident than if six predict a long settled spell and three end up with wind and rain.

In practice, the Met Office then combines the ensemble result with more traditional statistical analysis to produce its final forecast. This does not predict detailed weather on any particular day but gives likely trends of temperature, rain/snowfall and sunshine over the month.

Using a technical measure of forecasting "skill" on which zero means no better than chance, temperature predic-

tions have improved from 10 per cent to 25 per cent since the 1970s. That means today's 30-day forecasts are about half as accurate as those for the next five days.

Sadly, only big businesses are benefiting from this work. The Met Office stopped publishing its monthly weather prospects in the 1970s because they were then only a slightly better guide than tossing a coin. And it has no plans to resume publication now that they have improved. Instead it sells the forecasts on a confidential basis to large corporate clients in industries such as energy, water and retailing, for whom the commercial ben-

efits far exceed the £5,000 a year subscription fee.

The official Met Office line, expressed by Julian Hunt, the chief executive, is: "The results are not yet reliable enough to issue to the public, who are not really interested in a forecast that is reasonably correct only about seven times out of 10."

Even if the Met Office is right to take such a condescending view of the public's meteorological sophistication, what about small businesses and farmers for whom £5,000 is a prohibitive fee? Why, for instance, should independent shops not be able to adjust their ice-cream stocks in

response to a forecast of hot or cold weather when the big supermarket chains can?

At least part of the answer lies in the commercial pressure on the Met Office to reduce its demands on the public purse, by making as much money as possible selling services. Indeed Prof Hunt

notes the irony that "the fact the 30-day forecast is not brilliantly accurate means that we make more money out of it."

Surely, however, it could still make money by selling a more elaborate or specialised 30-day forecast to commercial customers - as it does with daily and weekly forecasts - while making the basic prospects more widely available. The Met Office is one of the few scientific institutions that is still a world leader in its field. How sad that it no longer believes in fair weather for all.

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## FOOD &amp; DRINK

# Exciting wines at razor sharp prices

Jancis Robinson scours the high street for the best value bottles in the second part of her seasonal round-up

A brewer's group of specialist off-licences is offering the widest range of wines, although those interested in price above quality are best served by supermarkets.

Limited distribution wines are marked (LD). Star ratings denote corporate commitment to wine quality.

## SAINSBURY\*\*\*

Prices have always been razor sharp, but the range is noticeably more exciting than a year or two ago, although some of the best wines enjoy only limited distribution (LD).

**CHARDONNAY** Vin de Pays d'Oc 1992 £2.99. Extremely keen price for a wine in which the less-flavoured appeal may fade rapidly but is rarely associated with this price bracket.

**DO CAMPO BRANCO** £2.99. Portuguese white blended by Australian Peter Bright from Peralta Pires grapes which has settled down in bottle to become an attractive, if simple, fruity dry white.

**Gyöngyös Estergom Country White** 1992 £3.35. Lively, dryish Semillon from Hungary. Argentinian Torrontes £3.49. Scented, lively aperitif blended by Trapiche from Argentina's white grape specialty.

**Chardonnay delle Tre Venezie** £3.59. Still one of the best-value whites available in the UK, blended by Angela Muir. **Riesling QbA 1989 von Kesselstatt** £4.65. Someone has been working very hard to place a wine from this ambitious Mosel producer in every major chain and we should benefit from the attractive prices while they last. This is a smp, a declassified Kabinett from a very good vintage and already shows some maturity. Sprightly, for once this really is "liquid refreshment".

**Genil Hugel 1992 £4.95 (LD)**. Hugel's new Alsace blend sounds so much better than Edelweicker and tastes both soft and lively. It would make a please-all holiday house white, especially good for serving without food.

**Lindemanns Bm 85 Chardonnay** 1993 £4.95 (available elsewhere). Displaying admirable quality considering the quantity made.

**Menetou-Salon 1992 H Pellé** £5.45 (LD). Better value than most Saucernes on offer. Fine.

**Jumilla Altos de Pio 1989 £3.99.**

Plums, life, good powerful aroma. Slightly tough but there is fruit too.

**Fangères £2.99**. A good, vigorous, if light example of this appellation in the hills of the Languedoc from the ubiquitous Domaines Virginie. Drink slightly cool, with leftovers?

**Castel Fajola Tannat 1998 £4.75 (LD)**. Basque immigrants brought the Madiran grape to Uruguay! Powerful, concentrated, well-balanced wine in a nicely labelled bottle. Worth seeking out.

**Ch Beaumont 1990 Haut-Médoc £5.95**. A special Christmas price for this good vintage of a respectable cru bourgeois.

**Penfolds Bin 389 Cabernet Shiraz £7.45**. Well-blended classic South Australian. **Mercury 1990 Domaine de la Grangerie £7.95 (LD)**. Scented and fruity with an attractive suggestion of licorice. Good with turkey.

## TESCO\*\*\*

Great activity to some interesting effect. The rivalry with Sainsbury continues. Many Tesco or International Wine-maker labels.

**Uvas del Sol Argentinian White £3.49**. Big, powerful, dry, exuding flavour from a blend of Chenin and Ugni Blanc with some aromatic Torrontes grapes, made by La Agrícola.

**The Torrontes 1992 (more limited distribution)** is worth the 50p premium over the Sainsbury example (Waitrose has the 1993). Dry but scented.

**Australian Colombar/Chardonnay £3.75**. Lemon and lime. Well blended from Murray river-irrigated fruit.

**Domaine de la Jalousie Chardonnay 1992 £4.99 (LD - very)**. Yves Grassa, best known for his Côtes de Gascogne, plays to extremely good effect with the white burgundy grape and some top quality barrels.

**Vignoles £4.99 and £5.49 (LD)**. Both of these Vins de Pays d'Oc are full, almost blowy examples of this most fashionable grape.

**The Domaine St James (from Etang de Colombes in the Corbières)** is so peachy it's almost commercial air "freshener".

**Merlot del Piave £2.99**. Full, lively, north Italian soft red. Serve cool.

**Uvas del Sol Argentinian Red £3.49**. Robust blend of Italian Sangiovese and Bonarda with Malbec.

**International Winemaker Syrah Vin de Pays d'Oc 1992 £4.99**. Modern, cool-fermented Languedoc wine. Very deep purple. Young, simple, powerful, drink now!

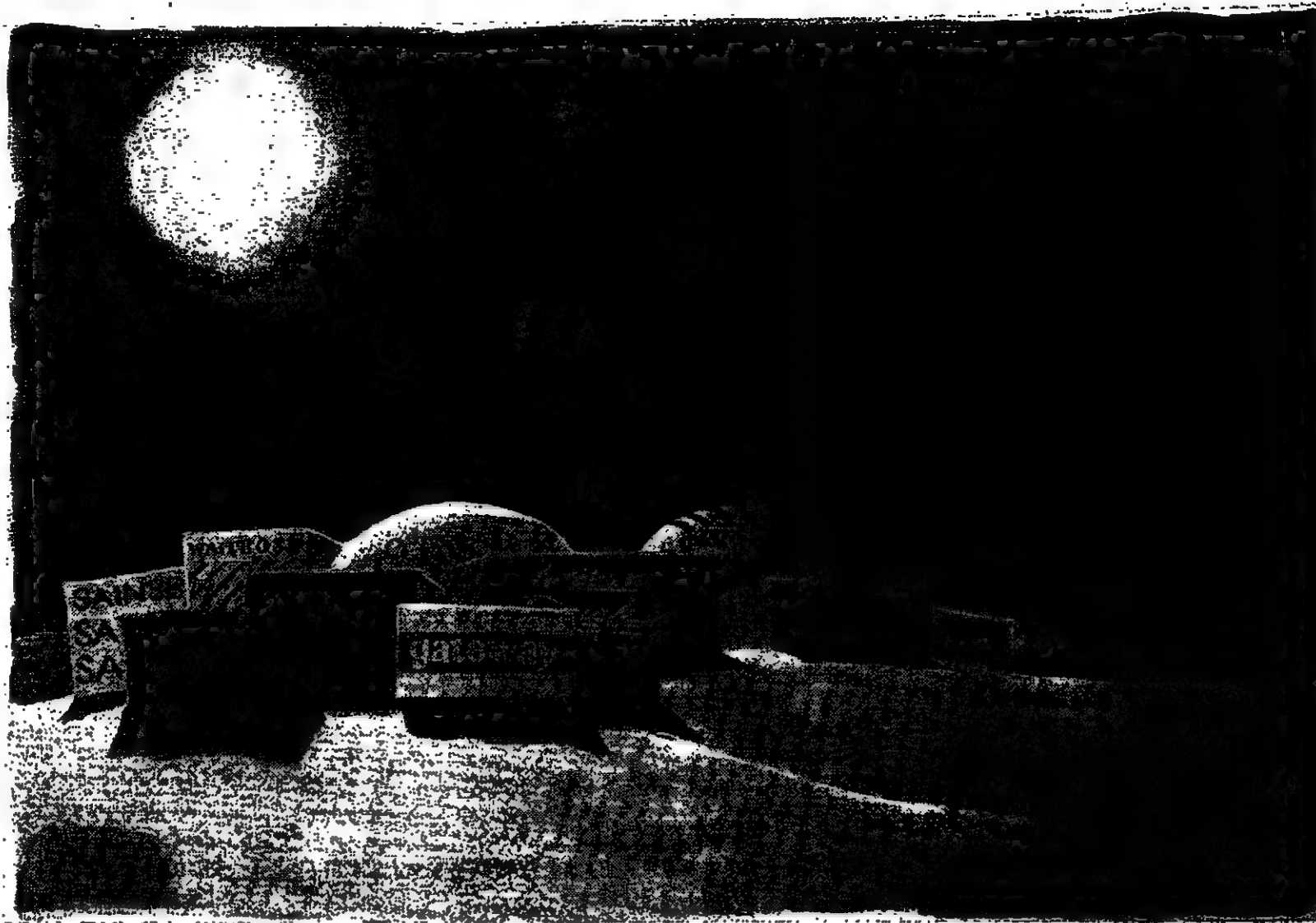
**Yarra Glen Pinot Noir 1992 £5.99 (LD)**. A second label from Tarravara in the Yarra Valley, widely regarded as Australia's natural Pinot Noir habitat. This seems better value than the £9.99 first label to be sure, although it may be best served very slightly cool.

**Penfolds Bin 128 Shiraz 1990 Colombar £5.99**. Oakly, dense mouthful.

**FORTIFIED WINES** Halves of sherry. Tesco sheries have always good but not always this well packaged. A useful half of lively, palate-whetting Manzanilla is £2.99, while the even more tingly, fuller Palo Cortado is £3.99.

**THRESHER/BOTTOMS UP/WINE RACK\*\*\***

This Whitbread-owned off-licence group is waving the specialist flag most vigorously



ful, drink now!

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This Whitbread-owned off-licence group is waving the specialist flag most vigorously

at the moment with some thoughtful buying and useful literature. It seems to be trying to hook us out of curiosity rather than price-cutting.

**SAUVIGNON NOUVEAU 1993** Fortant de France £3.99. Lively, fruity, jolly, if simple.

**English wines from the Harvest Wine Group**. The exciting range of well-made wines from the English winemaker described in the *Weekend FT* a few weeks ago, in the £4 to £8 range and well worth it.

**Bridgewater Mill Riesling 1993 £4.99**. Petaluma's second label, a full, lively Riesling from South Australia that is drier, and therefore more useful, than most.

**Villa Maria Riesling 1993 £5.49**. Spine, acidity, spritz, off-dry New Zealand.

**Casablanca Sauvignon Blanc 1993 £5.99**. Real pizzazz. Off dry richness. Long Chilean.

**Scharzhofberger Riesling Kabinett 1990 von Hövel £7.15**

thought the English would recreate the Roman fish sauce, or garum, which was splashed on to Roman food in the way that the Americans apply tomato sauce.

He is fascinated by what is now (only stupidly) called the "Mediterranean" diet which he encountered on his trip to Italy. He liked olive oil and tomatoes and thought the latter should be introduced in Germany.

He would not have enjoyed listening to Frank Sinatra in restaurants: "Playing music during meals tends to stupefy people and is therefore reprehensible."

Where Rumohr really is interesting is in his early adoption of the socio-anthropological approach. He hears of the Maori *hongi* and he goes off and cooks it; he samples all the dishes he hears about from travel-

ers and is far more ready to experiment than his smug, French contemporaries. That is the chief revelation of this book. The chief drawback is the translator's introduction which is largely irrelevant and ill-informed.

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WILKINSON VINTNERS LIMITED Fine Wine Merchants 41 Cavendish Rd London NW3 2LN

## A scholar, gentleman and gourmand

Karl Friedrich von Rumohr (1785-1843) enjoyed a certain reputation in his day as an art historian. What was possibly less well-known at the time was that Rumohr was the first German to make something like a systematic study of what we eat, writes Giles MacDonogh. To some extent this obscurity was intentional: in the high-minded world of German art history, it might not have done for a scholar to show an interest in anything so frivolous. Rumohr therefore

published his book on food - *Der Geist der Kochkunst* - under the name of his cook Joseph König.

The question is, how does Rumohr compare to his French contemporaries, Grimod de La Reynière and Brillat-Savarin?

Rumohr was one of the first advocates of what we now call "healthy eating" while both Grimod and Brillat had an unabashed French ten-

dency to the over-elaborate. Some thing of Rumohr's approach derives from his knowledge of the ancient world: he wanted to return to the simplicity of the Homeric Greeks and the Augustan Romans.

The nearest he could see to this in the modern world was England. He appreciated the simplicity of the English roast at a time when the French still boiled their meat, and

had been matured badly. There are enough 25-year-olds around now to prove how false this argument was.

Responsible distillers try to put out their malts at the optimum ages. Glen Grant tends to be rather one-dimensional so that, even at 10 years, it is a pale whisky which smells of little more than honeycomb.

Both it and Glenlivet belong to the giant Seagrams group, which has been hiding some of its greatest Speyside treasures in blends such as Chivas Regal, 100 Pipers and Passport.

Strathgairn is a gem of a distillery in the town of Keith. Its dumpy stills produce a heavy, nutty whisky at 12 years, with vanilla flavour coming from bourbon barrels.

Longmorn has long been a favourite among blenders, but outsiders have had little chance to savour the rich delights of its honey and flowers bouquet at 12 or 15 years. There is some good news, however. Seagrams has decided to launch four new bottlings from its Speyside distilleries next year: Benriach, Glen Keith, Strathgairn and Longmorn.

In the case of Longmorn, this is long overdue: here, elements combine with that little touch of sweetness to make the quintessential Speyside malt.

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## The secrets of Speyside

couldn't use it."

You can taste the difference in a beer, and whisky, essentially, is distilled beer. In the distillery, this beer goes by the name of wash. Some washes smell (and even taste) better than others. Distillers set great store by the friendly bacteria which live in the big, wooden washbacks. They also create

quickly - an operation known as "thrashing". At 35 litres a minute, you will get nasty flavours in the spirit and it can smell of old dishcloths. One or two commercial malts on the market have this odour.

The spirit which leaves the second still will be around 66 per cent alcohol on Speyside. This will be broken down with

flavour in the whisky. Like a lot of wine, the wash undergoes two fermentations: first, humuliferous (or "alcoholic") and then malolactic. The more vigorous the first, says Crilly, the better the whisky.

Then, there is the crucial factor of the stills, where size and shape are all-important. The usual line is that large, formless stills make dull whisky. They should be small, with bumps called "boil pots", or with a wide head to give the whisky complexity.

The most important of the two stills is the wash still in which the whisky has its first distillation. Here, the sweet esters are created. The whisky should not be made too quickly: about 10 litres a minute is a good rate. Some distilleries run their stills too

spring water and run into casks.

Here is another important factor: the quality of the wood. There is a lot of rotten stuff about, created by the enormous demand for whisky in the 1970s and '80s. High-end distillers are rather sensitive about wood. Casks which do not appear to marry up with the spirit are marked DNR (do not re-use) and thrown out.

Age has much to do with quality, too. The youngest whiskies on the UK market are eight-year-olds, such as Glenfiddich and Tannin. At this age, there is not a lot of complexity to be had.

Quality begins with malts 10 and 12 years old. In the old days, it was said that whisky got "oily" or "woody" or "heavy" after 15 years; but this was true only if the whisky

had been matured badly. There are enough 25-year-olds around now to prove how false this argument was.

Responsible distillers try to put out their malts at the optimum ages. Glen Grant tends to be rather one-dimensional so that, even at 10 years, it is a pale whisky which smells of little more than honeycomb.

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**Ch Carignan 1989 £6.99**. Well made, plummy, vigorous yet accessible petit chateau claret.

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**Jacquière 1992 Vin de Savoie** £4.85. Alpine refreshment but with more fruit than in many years.

**Avonmore Chardonnay 1992** £4.99. Extremely good value for a well-made, relatively savoury, meaty South African.

**Tokay Pinot Gris 1992 Blanc** £5.25. Gorgeous. Serious, full, smoked bacon flavours. Very long and substantial.

**Ch Bastor-Lamontagne 1990** Sauternes £7.75 a half. Waitrose has long sold this fine value sweet white bordeaux. Deep, rich, long, from a fine vintage. This wine could be drunk now but it would also repay cellaring until the turn of the century.

**Canada £2.99**. Yet another underpriced offering from a Portuguese co-operative. Hints of sweet chestnuts. Tiring after a while but look at the price.

**Côtes du Ventoux 1992 Paul Boninot £3.99**. Jollier, powerful version of red Côtes-du-Rhône; good value.

**Avonmore Cabernet/Merlot** 1993 £3.99. Jolly, powerful South African blend from Stellenbosch.

**Torolingo Rotallano 1991** Gaierhof £4.25. Amazingly deep colour with deep, full, soft fruit flavours and a hint of bitterness at the end. Good with cheese.

Last week, Marks and Spencer's two-star rating was omitted.

KARL FRIEDRICH VON RUMOHR: THE ESSENCE OF COOKERY

Translated by Barbara Yeomans

Prospect Books, £12.50, 312 pages

lers and is far more ready to experiment than his smug, French contemporaries. That is the chief revelation of this book. The chief drawback is the translator's introduction which is largely irrelevant and ill-informed.

Founders Bondholders will also become members of our Isle of Arran Malt Whisky Society which will bring additional advantages, including the continuing privilege of buying whisky at distillery prices.

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## PROPERTY

# Treat yourself to a festive forest

Gerald Cadogan suggests that acquiring woodland makes sense as an investment this Christmas

**W**hy buy a Christmas tree when you can buy a forest? As a bulk purchase, they are cheaper. They can give pleasure and profit for generations to come. They are free of income and capital gains tax and qualify for 100 per cent business property relief from inheritance tax. And, if they are conifers, you have Christmas trees in perpetuity.

A voucher for a forest is a gift with a difference. It means a minimum investment of £50,000 in Britain, says management firm Fountain Forestry, or \$250,000 to invest in hardwoods in the United States. Around \$95m will buy a whole 400,000-acre (160,000-hectare) forest in the US from agent John Clegg.

Thanks to the influence of the Gulf Stream, Britain's climate is ideal for growing trees, especially such softwood varieties as pines. Native deciduous (or broadleaf) hardwoods take at least twice as long to mature but look better and belong in the British countryside - besides which, they attract higher government grants.

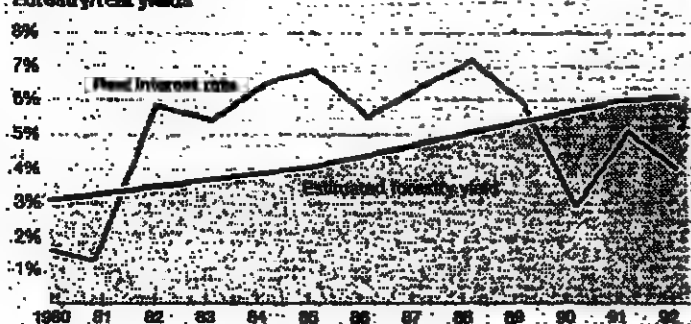
These are paid under the woodland grant scheme. Planting grants for conifers range from £15 a hectare (one hectare equals 2.47 acres) for more than 10 hectares, to £1,000 for less than one hectare. For broadleaves, the grants range from £975 to £1,575, paid 70 per cent on planting, 20 per cent after five years and 10 per cent after 10 years.

Then, the woodland management grant takes over for conifers 11-30 years old (£10-£16 a hectare per year), and broadleaves 11-40 years old (£25-£30). For woods of special environmental value, annual management grants offer £35-£45. An alternative scheme pays for natural regeneration.

Two extras are the better land supplement (£400 or \$900 on planting) for using arable land or improved grassland, and the community woodlands supplement of a flat £350 for woods close to towns or cities that are open to the public for recreation. These two grants can

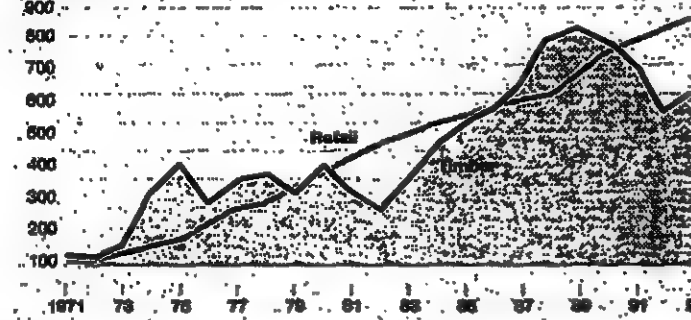
## Timber

### Forestry/real yields



### Retail/wholesale price indices

1989 = 100



Source: Forestry Commission

apply also to the farm woodland premium scheme. This has similar planting grants but its annual payments (£50-£250 a hectare) are for using farmland.

If more than half the trees are broadleaves, the payments run for 15 years; if less than half, for 10 years. That explains the many newly-planted (usually hardwood) spinneys in the corners of fields which give cover for game to shoot and for other wildlife, make the farm look "natural" and will, eventually, produce timber.

The years are over of planting swathes of sitka spruce in straight lines over the hills of Scotland with no regard to the contours - "carpets of Scandinavian gloom," as they were called by the late Hugh Fraser MP. Certainly, a British timber sup-

ply was a top priority after both world wars (indeed, the Forestry Commission was founded in 1919). That is why it had such remarkable reliefs against tax, and still offers good pickings. But official wartime attitudes - aimed at planting lots of trees, quickly, without much regard to sensitivity - continued afterwards. Only now, spurred by environmental groups, do foresters have to mix the types and ages of trees and follow natural boundaries.

The return on timber depends on the likely future price. While that is hard to assess, there are long-term bullish factors. Fountain Forestry says UK prices follow the changes in gross domestic product and that the present forestry yield, in real terms, beats real interest rates. Timber prices are on the up.

Then include the tax exemptions, which make it attractive to buy woods planted after the war that are now ready for felling in order to harvest a tax-free income; or to plant broadleaves for future generations of family to look after, while enjoying the IHT relief.

To qualify, the woods must be "in hand," which includes managed woods but not let woods (which have 50 per cent relief). Future markets are certain, provided the felled trees can be moved easily to the processing plant (grants for forest roads are one proposal before the government's Forestry Review Group, due to report early next year). Or, the plant should be brought to them. Huge investment in UK plants by Scandinavian and north European companies is a high

mark of confidence. Since 1988, however, when the government ended a system whereby the wealthy could save tax by buying woodland and setting forestry expenses against all other income, new plantings and grants for them have been less than hoped.

The target was 25,000 hectares a year, but it was 25,500 in 1988/89 and has fallen steadily - doubtless affected by the recession - to 17,300 hectares in the year ended March 31, 1992, the last available figure.

Another reason for this could be that the present system of farm grants under the EU's common agricultural policy makes a lot of land seem too valuable for mere trees. Take away farm grants and it would be a different story. A further reason - and a major grumble

in forestry - is that you cannot plant trees in set-aside land - that which is taken out of use by farmers in return for payments from the EU.

To new investors, broadleaves look best. But to ensure they reach perfection in 150 years needs planning down the family line, plus faith. And £50,000 buys few of them, with a price for 20-year-old semi-mature trees of £200-£1,000 (£1,350-£1,500) an acre.

In the US, however, hardwoods cost about \$250-£300 an acre, and they abound in the north-eastern states. Black cherry, especially, flourishes in these forests - an excellent wood for furniture which gets good prices, especially if it is veneer quality (the best). Hardwood prices in the US have

risen 50 per cent recently and, with the difficulties of managing broadleaves of such quality or quantity in Europe, Fountain advises European investors to go west. It manages forests for them from its office near Concord, New Hampshire, and also runs a hardwood forest in eastern Kentucky. But it will find you a forest in Britain, too.

Clegg has several UK forests for sale, mostly in Scotland. Since its recent British sales have tended to go for above the guide price, be bold and pop some woodland under the Christmas tree now.

Further information: John Clegg, Edinburgh (031-229 8800); Forestry Commission, Edinburgh (031-331 0303); Fountain Forestry, Banbury (0295-750 000).

A forest for sale... the Glen Breckin estate in Scotland, between Campbelltown and the Mull of Kintyre, on offer through John Clegg. Guide price: £215,000

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## PERSPECTIVES

As They Say in Europe / James Morgan

## The Liberal Democrat menace

Some years ago, when I was in the Basque country, I got talking to a woman whose father had played a large part in the Spanish civil war. He was, of course, on the Republican side which lost. I asked the woman what party her father had belonged to. "He was a Liberal Democrat," she said.

"What on earth did that mean?" I asked.

"It meant," she replied, "that he shot everybody who wasn't." That seemed to me at the time to be an idiosyncrasy of traditional Spanish politics. But historic Spain and Russia have curious parallels. The two possess the only folk dances worth a damn, and the best folk music. And in neither is there a tradition of seeing the other chap's point of view.

So, today, we see those old Liberal Democrats resurrected, at the other end of Europe and the other end of the political spectrum.

Vladimir Zhirinovskiy's Liberal Democrats seem prepared to embark on the same course as that of his Basque predecessor.

In the west, the rise of this unassuming grouping was greeted with alarm. In Russia, things are different. As I have noted before, the papers there seem to be able to take most developments in their stride. Irony provided one approach: "Everything possible has been done for Zhirinovskiy to achieve a success. All conceivable errors have been made."

It was rare in the west to read of Russia's democratic leaders being at fault, but in Moscow there was little else. *Pravda* was grimly jubilant, saying that the leader of the Liberal Democrats had reached "a height unattainable for many of his rivals, above all because the executive branch of state power and its propaganda services were busy inspiring Russophobia intensively, importunately and consciously."

In what I might have called the liberal-democratic press, but cannot any longer for fear of misunderstanding, there was a more sympathetic account of what I might have called Russia's choice but cannot for fear of etc etc. It was noted that the Russian people had a "predilection for confident leaders who promised a rapid change to be brought about without great difficulties. This time it is the turn of Vladimir Zhirinovskiy..."

The next day, in a nice touch, the same writer argued: "The electorate got sick and tired of traditional promises by both communists and democrats." These traditions go all the way back to 1990.

Here we must confront an odd fact: Russia has shown itself capable of following in the footsteps of west Europeans. Last Sunday's vote provided a sort of re-run, in an extreme form, of what happened in Italy and to a lesser extent, Brandenburg the week before. Ruling centre parties cannot win anywhere these days. But Russia possesses newspapers which can be

described as expressing the views of far right communists, and their leading light is Soviet-style Roslyan which clings to its anachronistic appeal for ideological reasons.

It noted that one Communist party leader had expressed confidence that his group would achieve "considerable mutual understanding with an absolute majority of blocs to which peace in the country and well-being in every home are the supreme value." (That was a blow at President Yeltsin who, in certain circles, has not been seen as an apostle of peace since his forces shelled the Moscow parliament building.)

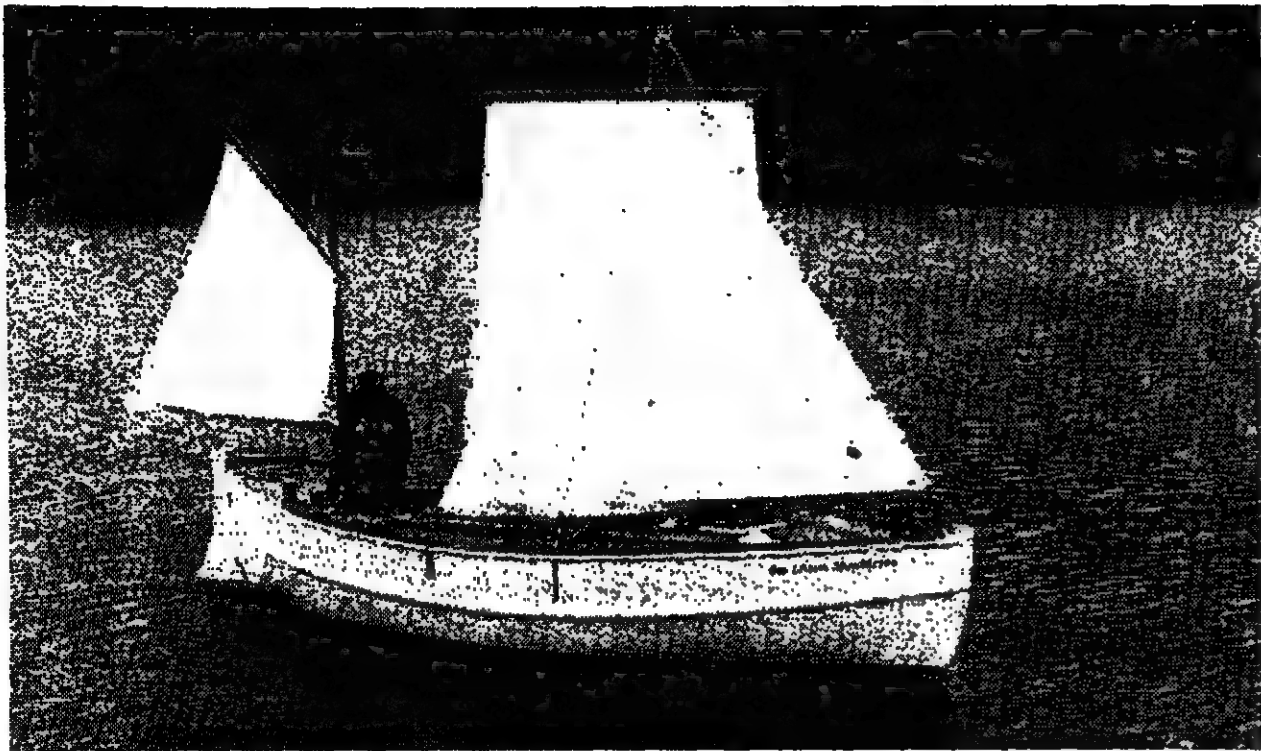
The next day, *Pravda* announced "the collapse of the democratic myth and the renunciation of the western Utopia". The communists prefer the nationalists, or fascists, to the democrats. And many shared the view that the Liberal Democrats now had a right to have their opinions respected and should be reckoned with in the formation of a new cabinet.

It all looks curiously like Germany in 1932. Then, the economy was in a total mess. There had been great inflation. Recommended western models were not working. The middle ground was squeezed and the communists did everything possible to ensure Hitler took over in 1933. There is always one com-

fort: historical parallels always turn out to be wrong. Yet, it is a curious fact that, 60 years ago, the name National Socialists had a rather reassuring ring (better than International Socialists). The original party of that name had been a moderate Czech grouping in the last days of the Austro-Hungarian empire. Will all Liberal Democrats now be imbued with an air of menace? From Tokyo to their British stronghold in Yeovil, there must be many who are wondering if Russia has dealt them an unfortunate card.

Russia's Liberal Democrats do seem, however, to have learnt one lesson from western practitioners. The one-time populist governor of Louisiana, Huey Long, said it would be easy to start a fascist party in the United States. "You would just have to call it an anti-fascist party," he said.

James Morgan is economics correspondent of the BBC World Service.



The Sir Ernest Shackleton, the boat which aims to re-trace Shackleton's epic journey



Shackleton on one of his expeditions: he hated it when things eased off

## Sailing in the wake of Ernest Shackleton

Roderick Dunnett reports on a voyage to retrace one of the most heroic sea journeys of the century

The Roaring Forties and the Storming Fifties. Not exactly paradise for the sailor of a small boat. The seas around 55 degrees south, off Cape Horn, are some of the worst in the world. The swell rolls west to east almost unchecked. It is hurricane-torn, even in summer.

This month, four British yachtsmen plan to retrace one of the most arduous survival stories in maritime history: the voyage of Sir Ernest Shackleton and five others from the northernmost point of Antarctica across perilous seas to South Georgia, to fetch help for 22 colleagues marooned on barren Elephant Island - an attempt that succeeded and all survived.

The re-created voyage, in a specially designed 28ft replica boat named the *Sir Ernest Shackleton*, will benefit from the long days of the Antarctic summer. But it will not be plain sailing.

"If we miss the island," says the group's leader, Trevor Potts, a 43-year-old water sports development officer from Tyneside, "there's no turning back: it's South Africa here we come!"

But why should anyone want to retrace Shackleton's boat journey at all?

"It's been at the back of my mind for years," Potts explains. "After all, it was one of the greatest survival stories ever. To bring anyone

back alive, let alone the entire party, against all the odds, was an amazing feat. Shackleton was an unusual leader.

"He undoubtedly made mistakes; yet he was the brains, behind not just both expeditions (six years earlier, Shackleton and three others came within 97 miles of the Pole), but the rescue as well."

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Shackleton's ship, *Endurance*, sailed south in August 1914, just as war broke out. His plan involved a crossing of the continent, from the Weddell Sea to the Ross Sea via the South Pole. But in January 1915, *Endurance* became trapped in the pack ice. She was borne 1,000 miles northwards before sinking, crushed by enormous pressures. For four months the party camped on floes, then fled in lifeboats as the ice broke under them.

That they reached Elephant Island, in appalling conditions, was a miracle.

The *James Caird*, largest of the three lifeboats, in which Shackleton made his dash for help, was 28ft long and 8ft in the beam. On the ice two strikes had been added, giving her a freeboard of 2ft 2in. Before the journey she was decked with packing case lids and covered with canvas, stretched over sledge runners. A spare mast had been bolted to the keel to stiffen her. Rocks and bags

of gravel and rocks served as ballast.

The group's only reachable source of help, South Georgia, was a mere speck in the ocean, 800 miles distant. Had it not been for a superb navigator, Frank Worsley, the *Endurance's* New Zealand-born skipper, James Caird might never have reached her destination.

What followed was an epic battle - against continuous, freezing gales and mountainous seas, drenched clothes, salt water sores, ice and frostbite - plus on day nine, at midnight: "The huge crest of an enormous 90ft wave, the most gigantic I had ever seen," wrote Shackleton. "It was a mighty upheaval of the ocean: we baled non-stop, like men fighting for dear life."

When they sighted South Georgia 15 days later, they were faced by an iron-bound coast - a lee shore in a hurricane. They were nearly dashed to pieces. Disaster threatened when they almost lost their mast. It was 26 hours before they made a safe landing, tacking precariously into a cove in King Haakon Sound. A 500-



Expedition leader Trevor Potts

ton steamer from Buenos Aires, they later learned, was lost that night with all hands.

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Potts is no stranger to adventure. His log of a single-handed voyage to Falmouth from the Azores, when his 25ft boat was almost overwhelmed, won the Dugan Prize in 1986. Soon after, he and another

party member, Robert Egestaff, made a journey by kayak, in near-zero temperatures, across the Bering Strait from Alaska.

On that trip, the party got separated by fog, missed an island and ended up being arrested by Russian coastguards. When we met in Newcastle-upon-Tyne, in Tyne and Wear, he had problems locating a nearby pub and mislaid the only female member of the party - Victoria Brown, a qualified yachtmaster and navigation specialist. "Don't worry," Potts reassured me. "Vicky will be navigating, not me." The *Sir Ernest Shackleton* has been built to his designs by McNulty's, the South Shields shipbuilder, where he was a workshop manager.

Is it really a replica? "We kept her dimensions as near as we could to the *James Caird*," says Potts. She has a similar sailing ability. But we've made her stronger and more watertight. We've added four bulkheads. Our hull, strip-planked, is glass fibre and epoxy-sheathed, and laid on laminated frames; and has been strengthened with steel so she won't buckle. Our cockpit is smaller but, like the *James Caird*, she's not high enough in the water to self-drain. So we expect to do a fair bit of pumping and bailing. "The new boat is ballasted not just with lead, but with water beneath the cabin bunks. Perhaps most important, she has a tiller. With his 'accursed mizen' - as Worsley termed it - forming an obstruction, Shackleton was forced to steer with yoke and lines. There is no room for a life-raft, but an Inmarsat satellite transceiver, backed up by VHF and GPS (global positioning system), should keep Potts's team on course and in touch. "Still, we plan to navigate by traditional means part of the time," explains Vicky Brown, "to get some idea of the problems Worsley faced." If their GPS breaks down (as it might), they will have no choice. Their main advantages over Shackleton will be temperature and daylight. "But winter conditions are actually more settled," Trevor Potts points out. "In the Antarctic summer there's a good chance of strong crosswinds and high swells - a north-easterly right up our nose. If we get a hurricane, things could definitely be as bad. But Shackleton had huge problems with ice; we don't anticipate that."

No photographic record exists of the boat journey or the other epic that followed, and which the group also plans to retrace: a treacherous climb by Shackleton, Worsley and Irishman Tom Crean over the glaciers, snowbound ridges and bleak mountains of the uncharted interior of South Georgia to reach the Norwegian whaling stations on the other side.

The skills of the fourth expedition member, Chris Smith, a mountaineering expert from North Wales, could well be needed.

With a scrap of German chart and a pair of compasses, Shackleton's trio covered 40 miles (22 as the crow flies) in 36 hours, scarcely pausing to rest. Trapped on a ridge, they glissaded 1,000ft into the unknown, hunched together on a coiled rope, and landed in snow, descending next day via a waterfall to Stromness. Their luck never waned. The moonlit conditions were the best in weeks. Next day, the blizzards closed in.

Will Potts and his companions manage? "My experience is that when the going gets hard you become stronger, not weaker," says the leader, who suffers from rheumatism and arthritis (Shackleton himself went through agonies due to because of sciatica). "None of us is a giver-up," puts in Vicky Brown. "Shackleton hated it when things eased off," Potts adds.

The *James Caird* (named after Shackleton's main sponsor, a Scottish industrialist) survived both the journey home and a second world war flying bomb. Restored by the National Maritime Museum, it is displayed at Dulwich College, to which it was presented after the explorer's death on his last Antarctic expedition - a planned circumnavigation - in 1922.

The building of the *Sir Ernest Shackleton* has been sponsored by the Gryphon group of companies: Aran Energy, Clyde Petroleum, Kerr McGee and Santa Fe, with additional help towards equipment and clothing. Further sponsorship is welcome.

## Sex, food and fighting

Continued from Page 1

himself the finest cock in the world.

Bobby, of course, was not the owner of all these cocks and all these chickens. He is just one of 36 members of the Zamboanga Game Poultry Breeders Association, who in producing more than 6,000 top-rate cocks a year have put Zamboanga firmly on the Filipino cock-fighting map. Today the quality of La Paz cocks rivals that of Baguio, the country's cock-fighting capital in the central Philippines, where 50,000 game birds are raised annually.

The La Paz cocks have come to this isolated valley for its ideal climatic, breeding and training conditions, and also for its security. Surrounding La Paz are tall observation towers equipped with high-powered searchlights for night surveillance. At the entrance is a barricade manned by a guard totting an M-16 assault rifle.

"A necessary precaution," sighed Bobby. "We used to have a lot of losses. It's no wonder - not one of the cocks raised here is worth less than 5,000 pesos, more than \$375 - that's more than six months' salary for many Filipino workers. The Zamboanga Whites

bred here are each worth many times more than that."

But Bobby's big concern that day was his on-going conditioning programme for a fight just three weeks hence. It was a big fight, a seven-cock derby in Lapu-Lapu City with a top prize of 4.25m pesos, more than \$150,000.

"You can't actually 'train' a cock to fight," Bobby told me when I asked if he thought cocks had any intelligence. We

"What you can do, though," he said, "is prepare them for a fight, develop those qualities which make winners - fighting spirit, leg strength for cutting power, attacking speed, timing, body conformation." We watched the cocks warily circle each other, side-stepping, feinting, then suddenly diving down on each other with legs slashing away in a blur of motion.

"It is just like boxing."

There is just one round, a single, quick, fatal encounter

were sitting beside a covered sparring ring watching assistants tie two sets of miniature gloves over the spurs of a pair of cocks.

"Game birds have more instinct than reason - some people would call them just plain stupid," he added. "If they had any brains they would take one look at the three-inch steel slashing blade attached to their opponent's left leg and run the other way. But no, they rush into what for one is certain death - few cocks survive more than two or three fights. Five- or six-time winners are exceptional."

Bobby added, watching the cocks approvingly.

A few days later, I witnessed the culmination of all this work. It was just an ordinary Sunday highlight in a local thing, in fact, seemed to be rather anti-climactic. Certainly it was no more cruel than the fate met out daily in the world's abattoirs to millions of industrially-raised chickens.

Give me La Paz any day, I would say, if I were a chicken. Enjoyable surroundings, plenty to eat, and stimulating company. I have just one proviso: when the big day comes, don't match me against a Henny.

ers the town's poor were making smaller side bets with each other. So noisy and jammed do the pits get that bettors and bookies rely on a system of hand signals - fingers pointing upwards to indicate tens of pesos, sideways for hundreds, down for thousands. Presenters with microphones, bright lights, referees in white shirts and bow-ties, punters bellowing and gesticulating - Bobby was right: it was a lot like boxing.

But there are no bouts in this sport, no point scoring, no final-round re-evaluations, no technical victories. There is just one round, a single, quick, fatal encounter. A few feathers fly, a blade hits a vital organ, the crowd roars and a cock lies dead in the sand on the pit floor. It usually lasts no longer than 30 seconds. After so much care and preparation the whole thing, in fact, seemed to be rather anti-climactic. Certainly it was no more cruel than the fate met out daily in the world's abattoirs to millions of industrially-raised chickens.

Give me La Paz any day, I would say, if I were a chicken. Enjoyable surroundings, plenty to eat, and stimulating company. I have just one proviso: when the big day comes, don't match me against a Henny.

As I puffed and panted my way down the lower section of Gentianes, one of Verbier's longest and least relishing runs, I was aware of another skier having a similar battle not far away. We both paused, using our chance encounter as an excuse for a breather.

"Wow!" he said. An American. "Quite a run!" "Certainly is," I said. "How does this compare with the Rockies?" I asked, knowing perfectly well that America had nothing to touch Verbier for long, tough, uncompromising skiing.

"Never skied there," he said. "I'm from Alabama." No wonder he was tired. The only ski resort in Alabama is Cloudmont (50 miles from Chattanooga) where the vertical drop is just 150 feet. Gentianes alone has a vertical drop more than 20 times as much.

There is a large amount of challenging skiing in the Swiss resort of Verbier. In other places you might screw up the courage to ski the difficult runs, and then once you have done so a couple of times you can relax knowing that you have done your brave deed for the day. But Verbier has wall-to-wall challenges.

Skiing/Arnie Wilson  
Wall-to-wall challenges

erected, the installations were delayed by bad weather in spite of Verbier's reputation as a sun trap. (The first lift - the 1946 "Funiluge" - was a giant sledge powered by a combustion engine accommodating 12 skiers.)

British skier Konrad Bartelski had told me that the back of Mont Fort was spectacular but not a good place to fall. I had always been petrified that one day I would find it open and have to ski it. This year that moment arrived.

There are no two ways about it. I was frightened: as much for the skiers perched perilously above me in the severe opening couloirs, as for my own skin. However the elation at getting down safely was unforgettable. After skiing the back of Mont Fort, the front - steep as it may look - will never seem as threatening.

Mont Gele in good, fresh snow is also spectacular - with the opportunity of plenty of good turns in powder before you need to put the brakes on - but nowhere near so intimi-

dating as the back of Mont Fort unless you attempt the steeper side which is fraught with danger. Verbier, of course, is not just for strong skiers, although they probably get more out of it than beginners and intermediates, who also have to cope with busier pistes and longer queues caused by Verbier's somewhat inadequate lift system. One of the advantages of skiing the back of Mont Fort is that it takes half a day and does not attract crowds. Even more conventional runs like Gentianes - too tough for inexperienced skiers - will keep most skiers busy for long spells in between lifts.

Trying to evaluate Verbier is an exasperating affair. In many ways it has some of the most exhilarating skiing in the world. But a modern French lift system of multi-person gondolas replacing its more antiquated, ponderous cable-cars would take away some of the angst involved in trying to reach the slopes more quickly. This day-time undercurrent

of frustration dissolves by night into irritation with the resort's Hooray Henries. Rather like Verbier's lift system they are irritating rather than infuriating. Surely the original Hoorays must have grown up by now - or have they? Anyway, fresh supplies seem to arrive each year.

Even the Farm Club, considered an upmarket nightspot, suffered during my visit. After two chalet girls danced topless, five young Englishmen took to the dance floor and stripped off their clothes. No-one seemed to object, but it was not my idea of a fun night out.

The following evening, on one chalet girl's night off, we and our Flexihost host Neal Manuel enjoyed a much more entertaining - and cheaper (Manuel paid) - evening in a local bistro. Like quite a few small tour operators, Manuel started out working for someone else. He was a ski guide with Don Kremer's Snowtime operation, based in Meribel.

Flaxiaki (049084-446) operates in just two resorts: Courchevel and Verbier. It offers a chalet in each resort, chalet apartments in Courchevel's central Forum complex and the rest of its accommodation is in three- and four-star hotels, four in Courchevel, including the four-star Annamurra, Bellecote and Hotel des Trois Vallées, and one in Verbier, the Hotel Vanessa.

سكان الامم



## BOOKS

# Fantasies for the young at heart

The sight of 1,000 children's books clamouring for our attention in a medium size bookshop is almost as maddening and confusing as the sight of 1,000 children clamouring for our attention in that same bookshop. So call them all to order and group them strictly in lines - with the youngest first, of course.

The most pictorially ravishing picture book is undoubtedly *The Children of Lir* by Sheila MacGill-Callaghan (Ragged Bears, £8.99), a story loosely based on an Irish legend that may have been one of Shakespeare's sources for *King Lear*. When Lir's wife, Aoife, witnesses the affection the king shows his children, she changes them all into swans and the conditions that need to be fulfilled if they are to regain their human forms seem beyond the reach of mere human ingenuity. The book's Russian illustrator, Gennady Spirin, has an exuberant touch - his dolphins leap out of the waves at us, and his birds beat their wings in a baroque frenzy. All this marvellous colourwork helps us to forgive the book's author for a fiction that leans too heavily at times on archaic locutions.

Other outstanding picture books for the under-sixes this autumn include *Too Tired* by Ann Turnbull (Hamish Hamilton, £3.99), illustrated by the excellent Ella Clanchester Clark, in which the slothful behaviour of two sloths makes Noah's job of filling the Ark with two of everything before it gets too late almost impossible; *The Beast with a Thousand Teeth* by the elderly Python Terry Jones (Pavilion, £6.00), illustrated by Michael Foreman, in which too many cakes topped by pink icing destroy a heartless beast's hopes of using his magnificent teeth to gobble up an entire community; and *The Snow Angel* by Angela McAllister and award-winning illustrator Claire Fletcher (Bodley Head, £8.99). Else lies down in the snow and makes the shape of an angel with her outstretched arms. The impression (like her own fantasy of turning into a

snow angel) does not go away. Finding a new theme for an anthology of children's poetry is always extremely difficult - poets have been flogged to death; witches are looking increasingly threadbare. One anthologist who always seems to have the capacity to spring a pleasant surprise is Anne Harvey. *Be Said, She Said, They Said* (Blackie, £3.99) is a collection of poems written in the form of conversations - from Auden's marvellous ballad "Oh, What is that Sound?" to the traditional "Oh Soldier, soldier, won't you marry me?" Like novels written in the first person, poems spoken in individual voices arguing, teasing,

**Michael Glover on some children's books which are just clamouring for attention**

complaining or merely enquiring, have a special capacity to surprise and delight. The unexpected interjection heightens the dramatic effect at every twist and turn.

Another new anthology worth recommending is *Funny Bunch* (Viking, £8.99), a collection of comic poems edited by the excellent children's poet Kit Wright. Wright has done his homework as an anthologist. He does not plunder the best of his material from other people's anthologies - the oldest trick of the anthologist's trade.

Of the new novels of children of six to eight, *Akimbo* and the *Crocodile Man* (Methuen, £8.99) by the prolific Alexander McCall Smith is the third in a sequence of novels about a young African boy who goes on safaris. The moments of excitement are worked for; there is no gratuitous sensationalism. Jenny Nimmo's *The Stone Mouse* (Walker, £8.99) is a short, taut novel told from an unusual perspective - that of a stone mouse who has to tolerate the trespasses of holiday visitors to his

seaside home.

Anne Merrick has taken for the subject matter of her first novel for older children the difficult and challenging problem of a child who has lost its memory and is trying to reconstruct, step by painful step, a new reality for itself. This could have been merely a worthy book; in fact, *Someone Came Knocking* (Spindewood, £3.95) is an extremely powerful and engrossing one from start to finish. Susan Price, who won the Carnegie Medal in 1987 for *The Ghost Drum*, is very good at retelling traditional fairy stories, giving them new setting and unexpected meanings. Her latest book, *Head and Tales* (Faber, £3.99) mines a similar vein. Lynnet the storyteller, an old man in the grip of a fever, makes a macabre request: that his head should be cut off, wrapped in rags and delivered by his own children to their grandmother's distant home. It seems a near impossible task until the head opens its mouth and starts to spin some grisly yarns of its own.

Finally, a collection of stories for children that is likely to appeal as much to parents as to their sophisticated young. *The Oxford Book of Children's Stories* (Oxford, £17.95), edited by the excellent children's novelist Jan Mark, is a collection of some of the best short stories written for children over the past 250 years, beginning with Sarah Fielding's "Story of Celia and Chloe" of 1749; passing through contributions by such writers as George MacDonald, Louisa May Alcott, Jean Ingelot and Christina Rossetti; and concluding with work by some of the editor's own contemporaries - James Berry, Anne Fine (winner of this year's Carnegie Medal for *The Flour Babies*) and Philippa Pearce. What insights the collection gives into the historical development of writing for children - the most interesting of all being the fact that the ingredients for a successful children's story have remained remarkably constant down the years. Everything changes, everything remains the same.

# Fantasia of great rigour

If in adult life you are going to become a writer, San Remo on the Italian Riviera seems to be as good a place to be brought up in as any other. This posthumous book reveals how well it served Italo Calvino (1923-1985) as a playground for childhood and adolescence. It makes one ask whether San Remo's role as a holiday resort, as a fun place, accounts for some of the fantastic invention, the ludic element taken to extremes, that is so ubiquitous a feature of Calvino's fiction.

Up to now San Remo has been little more than an entry in Calvino's curriculum vitae, along with the fact that he was actually born in Cuba of Italian parents, both of whom were scientists, while always regarding San Remo as his "real" birthplace. His experience during the second world war as a partisan in the Italian Resistance in the surrounding countryside is reflected in his early work. After the war when Calvino was still in his early twenties he graduated at the University of Turin with a thesis on Conrad and then began a career in publishing combined with writing.

Calvino's creative talent was recognised by Cesare Pavese who promoted his work, and with the publication of tales like *Il visconte dimezzato* (*The Cloven Viscount*) in 1952, Calvino's reputation as someone who could sustain a far-fetched fantasy with the logical rigour of a mathematician was secure. Comparisons with Lewis Carroll as well as Borges abounded. Throughout the 1960s and 1970s, thanks to sensitive translators like Archibald Col-

**THE ROAD TO SAN GIOVANNI by Italo Calvino, translated by Tim Parks**

Jonathan Cape £12.99, 130 pages

quhan and William Weaver, Calvino's work acquired a considerable following in the UK and the US.

In trying to explain the nature of his fiction to English-speaking readers, Calvino once made the interesting linguistic point that "There are two different words in English, novel and romance, for what in Italian is always called a *romanzo*". It is romance given the surface gloss of realism that is his favourite form. The writer in our tradition to whom Calvino felt especially close was E. S. Sholem, the "Cloven Viscount" is a medieval version of Dr Jekyll and Mr Hyde.

But now with the publication of these short pieces composed at various times as *The Road to San Giovanni*, we have a direct attempt on his part to reconstruct the world of his childhood in the manner of Proust. If as a novelist Calvino occupies a frontier between fantasy and reality, he reveals in the little piece that the family house where he was raised also looked two ways. It "was situated, in an area once known as 'French Point', on the last slopes at the foot of San Pietro Hill, as though at the border between two continents".

Below was the town with the seafront and harbour offering escapism; above were the hills and the land cultivated by his father, a botanist and a farmer. When the hobnailed Calvino senior ascended the rugged path to his fields he had the air of a man entering his kingdom. The boy Italo would toil along after him, already conscious that his domain lay not among the mountain flora whose names he could never remember, but down below, oriented on such landmarks as the cupola of the Prince Amedeo Municipal Theatre.

The innumerable estrangement between father and son is seen in this essay through landscape and townscape. It is complemented by the next one - "A Cinema-Goer's Autobiography" - where the writer describes how he did manage through constant truancy to inhabit his own chosen space peopled by the stars of pre-war Hollywood. This was before the days of Technicolor and the monochrome effect enhanced the magic.

It all came to a stop in 1938 when Mussolini banned American films. But by then the cinema had fulfilled its function of confirming him in his commitment to the imagination as a way of life. He was to return to the cinema as an adult during his post-war renaissance in Italy, and he honours his debt to Fellini as a source of inspiration.

Before that there was the war and Calvino dredges up some painful "Memories of a Battle" when in retreating from a village in the Martime-Pre-Alps one of his comrades was killed. Then in "La Poubelle Agrée" the scene switches to post-war Paris where Calvino how to a successful man of letters is living with his wife. His contribution to the domestic equilibrium is to empty the rubbish every day into *la poubelle agrée*: it is left untranslated because it defies an accurate rendering - "the pleasing or approved rubbish-bin" - the point being that no rubbish will be collected unless it is deposited in such a *poubelle*.

The regulation sets in train a meditation on western civilisation in the junkyard disposal (including the junking of early drafts of literary work) is seen as its essential ritual. Finally "From the Opaque" carries this Calvinoesque exploiting of a master-metaphor into the realm of the cosmos where shadow and sunlight are presented as over-riding all other conditions of being. The translation of this poetic piece must have presented Tim Parks with his greatest problems; but the whole book reads most elegantly; it represents a series of charming footnotes to the work of a major modern writer.

Nigel Andrews

Anthony Curtis



Major-General Sir James Kimball, c.1924, artist unknown. In one of a number of illustrations to "The Victorian Soldier: Studies in the History of the British Army 1816-1914" edited by Marion Harding and published as a paperback by the National Army Museum at £7.95

# Anything but fossilised

J.D.F. Jones gets hooked on rocks

I know next to nothing about geology - my only acquaintance with fossils comes from *The French Lieutenant's Woman* - and I had never thought to give the matter my attention. This book shows me to be a fool. I have read *The Hidden Landscape* by R. S. Stearns, the "Cloven Viscount" is a medieval version of Dr Jekyll and Mr Hyde.

Richard Fortey's theme is the connection between the geology of the British Isles and our landscape: he shows how today's beautiful, diverse and threatened countryside is the result of events that took place unimaginable millions of years ago. It is, he says, "a book about connections between geology, natural history, and ourselves. The intention is to inspire a way of looking at the landscape..."

This is not, I suggest, a book to be read at a single sitting - it is too rich, too dense, for that. Rather it should join Pevsner and Hoskins and Rackham, if not in the car at least on the shelf below the Barabours and above the wellingtons. (It is a pity that the index is not quite full enough, since you will frequently want to look up place names from your travels.) I am not remotely qualified to say so, but I suspect we have here a new classic.

We start in the North-Western Highlands of Scotland and finish on the East-eroding shores of East Anglia. Like all geologists, Fortey is a bit of a nut, and certainly a romantic when he gets behind the gasworks in Haverfordwest, cracks a rock in two and discovers a trilobite. "There was astonishment in suddenly finding this complex creature, so perfect though so old, with a pair of petrified eyes visible to the naked eye even in the misty light

of a Welsh afternoon, eyes that had last seen the world more than 400 million years ago - before the first, humble liverwort had colonised the dampest shore, before sharks, before fish, and how unimaginably far before humankind".

There you have a reminder of the time factor. This is not a book for Fundamentalists: the Earth is 4,600 million years old - "one of those immutable facts that should be filed in the mind, along with the date of the

**THE HIDDEN LANDSCAPE by Richard Fortey**

Jonathan Cape £19.99, 310 pages

Battle of Hastings and The French Revolution". Britain apparently contains as great a variety of rocks in a small area as anywhere in the world, and Richard Fortey rolls back the skin of vegetation and buildings so as to lay bare the hidden landscape that has shaped our nation and its character. (In a typical aside he cannot resist quoting Catherine in *Wuthering Heights*: "My love for Heathcliff resembles the eternal rocks beneath - a source of little visible delight, but necessary".) This is popular science at its best; it is beautifully written, constantly witty, and excellently illustrated.

The language is certainly accessible to the layman. Consider, for instance the tiny agnostids - "Blows have been exchanged over the question whether agnostids are or are not really trilobites. They have been thought of as Cambrian parasites or, more plausibly, as Cambrian plankton... They changed

through time, so just by looking at these little enigmata the expert can tell what part of the Cambrian the fossils come from. This is practically useful in tracing correlative beds from one part of the country to another, or even throughout the world. Some of the same agnostids that lurk in the cliffs at St David's are found in Sweden, China, Australia, even Siberia. I once had a visitor from Kazakhstan whose command of English was rudimentary, but we got on perfectly well by merely exchanging smiles and the names of agnostids..."

That illustrates the style of an engaging book. There is no particular thesis: this is a journey around the British Isles, describing, explaining, analysing, digressing, making clear many things we may never have taken time to consider.

The range of Fortey's enthusiastic scholarship seems limitless: he talks in passing about the quality of bottled mineral water, the Motne Thrust, the Loch Ness monster, cream teas, Gerard Manley Hopkins' "dappled things", the "grass of Parnassus" on Lindisfarne, D.H. Lawrence's ambivalent response to coalfields, the Cheshire salt industry and its origins, pargeting, the importance of Welsh slate and Portland stone for British architecture, the demise of truffle hunting, elephant fossils in East Anglia, the true extent of the Ice Age, the peat industry in the 14th-century Norfolk Broads, the nature of (real) amber; the link between churchwarden pipes and lip cancer, the fact that "on the summit of Mount Everest there are Ordovician fossils really quite like those from North Wales"...

And so on and so forth.

# Full pelt through Armenia

A young writer walking in eastern Anatolia stumbled on a piece of bone which, so a nonchalant shepherd told him, was human.

Thus began Philip Marsden's voyage round the Armenian diaspora. When he reached the desert town of Ras ul-Ain in northern Syria, however, the place where thousands of Armenians were corralled and massacred in 1915-6, he found nothing, felt nothing. "I had thought that seeing the places might make it easier to understand, it hadn't; it had made it harder."

Here is an observant writer armed with a rich theme: the long aftermath of the Turkish genocide whose details were for years suppressed by perpetrators and victims alike. Marsden writes vividly, sometimes sublimely (there is a river whose "bulbous eddies twist and spin", an old cobbler whose fingers are "long and arthritic and bent sideways

**THE CROSSING PLACE: A JOURNEY AMONG THE ARMENIANS by Philip Marsden**

HarperCollins £16.99, 250 pages

like the bristles of an old brush.") If he does not in the end succeed in illuminating either the story or the character of the Armenians, that, I suggest, is because his method stands in the way of his purpose.

For it is a hectic, insistently first-person narrative. There are numberless encounters and endless details of a six-month journey through 20 contiguous countries which leave the reader tired and out of breath. One longs for the author to sit still and reflect; for then his eyes are sharpest, his objects clearest and his writing at its least self-con-

scious. Marsden is a writer who could be in the Leigh Fermor mould were he to play to his literary rather than reportorial strengths.

As things are, every character and incident gets equal treatment and a breakfast story peters out inconclusively with sporadic gunfire at night on a hillside above the Armenian-Iranian border. The result is a travel book, or a book about a research trip, but never quite what one had hoped for: a portrait of an extraordinary race.

On the boat to Cyprus early in his journey, Marsden met a Jewish antique dealer who asked him what he was doing. "I'm on my way to Armenia." "Armenia? What are you going to find there?" "I have no idea." Unfortunately, Marsden spoke more truly than he knew.

Christian Tyler

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## ARTS

# Identity crisis in the Euro-movies

Nigel Andrews explains why it is becoming more and more difficult to tell European and Hollywood films apart

History had been made. The world's first Euro-movie, *The American*, was shown in the American with the punchdrunk tie and eyes bright with sleep-deprivation, leaning into the microphone for one parting shot. "You cannot sustain a functioning democracy," he rasped, "and control what people see, what they hear, and what they hear. We will fight that forever!"

Swell of music. Track out from press-conference table. Roll and credits. If not in pre-production already, *Gatt* The Movie surely soon will be: with Dustin Hoffman as Mickey Kantor and Sir Peter Ustinov as Sir Leon Brittan. The world loves movies about the movie business, and the final stages of the Uruguay Round turned out to be nothing but movies. "Audio-visuals" was the swank term in the interminable squabble about whether Europe should drop the protectionist stance towards its film/TV industry or America bow to the exceptional status of "culture" in trade negotiations.

Years ago - let us flashback to the formative prehistory of this debate - culture and European cinema really did seem homonymous terms. We who grew up through the 1950s and '60s remember the rituals. On with the school scarves. Out with the bikes. Off to the local archives - every town had one - for the latest Bergman, Fellini or Godard.

There on screen, in glorious monochrome, medieval knights and tortured artists and existential French prostitutes, scrimmaged about among the great questions of

life and death. This was cinema as secular sacrament. Even our eyes mimicked genuflection by flicking down, every three nanoseconds, to the English subtitles.

Europe back then was art. Hollywood was entertainment. There was no enmity between the two kingdoms because each offered a different dispensation. But since then a growing crisis of identity and confidence has hit continental cinema. It was discernible long before *Gatt* Round 7, in the emergence of a perverse quasi-colonial rapprochement of style between EC and US cinema.

Put simply: for the last ten years we have had a hard time telling European and Hollywood films apart. All those cloneable Euro-movies snapped up for US remakes like *The Vanishing* and *Three Men And A Cradle*. All those glossy, Tinseltown-influenced directors like Jean-Jacques Beineix, Luc Besson and Pedro Almodóvar (*Women On The Verge Of A Nervous Breakdown*) Almodóvar.

Worse still, it is hard to think of European cinema as a distinct entity. It is an indistinguishable great film-maker at work on the continent today. Giants with fiercely individual visions born out of individual cultures - the ultra-Italian Fellini (carnivals, high living), the hyperbolically Swedish Bergman (suicide, religion, rocky islands) - seem extinct, leaving the landmass to talented, variable mortals who move like travelling salesmen from country to country, co-producing to co-produce.

Even the most respected and individualistic directors today are condemned to this itinerant way of life. Poland's Krzysztof Kieslowski made his last two feature films in France; Frenchman Bertrand Tavernier's

last film was a bilingual François production starring Dirk Bogarde, and Italy's Bernardo Bertolucci (*The Last Emperor*) and Germany's Wim Wenders (*Wings Of Desire*) shoot all over the world from Morocco to China, New York to New Guinea. Wenders, who occasionally doubles back to Berlin to make movies about those stateless beings called angels, is fully aware of this new nomadic movie Europe - and of the scant room it has for a cinema of national flag-waving.

"These individual cultures," he told me, "these film 'nations' as they once were, must face the fact that they can only preserve some of their identity, their national feeling, if they subordinate it under the banner of Europe. I don't think we can much longer pretend you're making a 'German' or 'French' or 'Italian' film. Those notions will have to be given up. We're going to have to believe in a 'European' cinema, where local stories can be told under a common roof."

Even if not suffering a multiple identity crisis, Europe is experiencing a painful loss of passage. So can the south-east of EC culture be right in suggesting that if we took Hollywood out of the equation, French, German, Italian film-makers and the rest would bounce straight back to peak health? After all US directors frequently remake films conceived in Europe, but the Europeans never remake US productions. Still, they might if they had the money.

The anti-Hollywoodites pick out the following nefarious evils. They (Hollywood) make films that are high on hardware, low on human insight. And their movies are like a factory product: fashioned accord-



RIP: Is European cinema a dying breed? Salvatore Cascio in Giuseppe Tornatore's 'Cinema Paradiso'

ing to public demand by a multiple workforce, including teams of screenwriters, umpteenth producers and even the sneak preview audiences whose scores can send a film back for last-minute fine-tuning. But why, if Hollywood is so philistine/unfeeling/mechanistic in its approach to cinema does it keep being attracted to European films?

"Because we are the opposite!" says Jacques Fansten, the French director whose sentimental hit, *Cross My Heart*, was snapped up by Stephen Spielberg. "American film-makers say, 'You're lucky in Europe because you can still make films that are personal! In Hollywood they have 30, 30, 30 people who have a say in how the film is made.' But could the two industries live together? That must be difficult so long as Europe buys half of all

American production and America buys some 1 per cent of films and TV shows from the EU... Despite claims that American distributors exercise excessive market power, this imbalance also reflects European moviegoing taste. The other big worry is about cultural imperialism. France's best-known director, Bertrand Tavernier says: "It is a terrifying danger. America can impose on Europe a whole way of making movies. On public TV in France, practically one-third of programmes are in English."

That, surely, is the fault less of Hollywood than of the destabilising effect of the break-up of individual European cultures under the impact of EC "unity". But show a Frenchman a glimmer of transatlantic input and he suspects conspiracy. "America takes film seriously," says Tavernier, "not just because it is a big industry, but because it sells a way of life. They know cinema is a vehicle for ideas, and they want to sell those ideas over the world. The Americans take cinema, and the propaganda power of images, very seriously."

So we are back to Coca-Cola and McDonalds. But even if Europe dislikes this Goliath, and his tendency to wield soft drinks monopolies in one hand, spiked club in the other, what in a free world can our Continental David do? "We must have strict rules! But after all this is the lesson of American cinema. When you see all those Westerns, when you see films like *Man Without A Star*, where you have fights between the

## Comedy turns Establishment

It has been a funny year. In the old days anyone who forced you into a corner and then went on and on about nose hair, the problem with Lycra underpants, and their trammes with contact lenses, would have been looked away. Now they are given their own television show.

The era of "alternative" comedy is over: monologues about the horrors of modern living, and stream of consciousness outpourings on flared trousers, have captured the mainstream: this brand of humour no longer needs a qualifying adjective. With the new breed of comedians sweeping the awards at last week's televised comedy prize giving while Newman and Baddeley were almost filling Wembley Arena; with Paul Merton playing the Palladium for two weeks in the spring and Ben Elton currently available in movie, book, video, theatre and TV, this particular comic handwagon is on a seemingly unstoppable high. The nation is desperate for a laugh.

The man with prime responsibility for this shift in popular taste is Don Ward. In 1979 he converted a room above a strip club in Soho's Dean Street into a comedy club. It was a popular idea in the US, but new to the UK. The club flourished, and moved to Leicester Square. On Monday the Comedy Store moved again, into expanded premises around the corner in Oxendon Street. As Paul Merton said at the opening cabaret, "Comedy Store 3: This Time it's Serious".

In the 14 years virtually every big-name comedian has received their break at the Comedy Store. Ben Elton, Alexei Sayle, French and Saunders, Rick Mayall, Sean Hughes, Julian Clary: the list is endless. Many appeared in public for the first time at one of the open spots on Thursday night when three strangers get the chance to die for five minutes. If they survive they might get a paid booking a month or so later when they have worked up a longer set. After that a TV show, perhaps after winning the Perrier Comedy Award at the Edinburgh Fringe, is a formality.

Many of the most successful graduates turned up last Monday at the Comedy Store to enter in the new era. It is pointless to deny that comedians, like beauty queens, are hit and miss affairs. The funniest people, like the prettiest egomaniacs with a propensity towards manic depression are the first to leap on to the stage. It is extraordinary how gauche and uncomfortable even seasoned comics can be when put on the spot of entertaining a capricious audience. "I've done a solo spot for 15 months," said Nick Revell, before wriggling prematurely from the stage on Monday. Simon Funnahave failed to win over the audience and left even quicker.

But despite the sad jokes, who somehow, in this uncritical business, achieve premier league status, the first show in the new Comedy Store was a jolly occasion. Eight times as better: the 400 seats give a sense of space with no loss of



Funny turns: Eddie Izzard at the newer, bigger Comedy Store

intimacy; the location is ideal: Don Ward expects to be there for 25 years, in which time he could have satellite Comedy Stores around the country, perhaps on the continent. Ward, watching his protégés make millions, is belatedly attempting to cash in. And the successful comedians still return regularly to the Store to try out new material in return for a modest share of the gate.

The heroes on Monday were the three comedians - Jo Brand ("No chocolate in it, no point that's what I say"); Julian Clary ("Man About the House"); and Arthur Smith, who jollied things along by wearing a Lycra Superman outfit with fitted accessories. Among the stars were Eddie Izzard, who for ten minutes made washing powders seem the funniest thing on earth; John Hegley, with a poetic pen in favour of spectacles; Hattie Hayridge, who, along

with Jo Brand, has confirmed the wit in women; Jack Dee, with well received new material, and Paul Merton, with equally acclaimed old material. Merton had polished up the policeman sketch which marked his Comedy Store debut around a decade ago.

These comedians are now the Establishment, roaring into their 30s, and through the expansion of media into videos and niche publishing, making money faster than old Tarble or Bruce could ever have imagined. What we need now to keep them on their toes is a new generation of comedians with the ability to lift their material above personal idiosyncracies to embrace a broader imaginative world. They might even consider reviving that almost forgotten art form, the well rounded joke.

Antony Thornicroft

## Requiem for Wildlife

Thursday's Royal Festival Hall Verdi Requiem was given by the Philharmonia Orchestra and Chorus for the benefit of the World Wildlife Fund. The conductor, Lorin Maazel, had both donated his fee and written an eloquent preface to the programme. This worthwhile pursuit should be saluted; what a pity it was not possible also to salute the behaviour of the frequently restless, chatty, cough-raspy "gala audience" - nor, in truth, the quality of the Verdi performance itself: the gap between noble aim and trivial execution yawned wide.

As so often in the past, when he has conducted this work (and others of similarly large scale) in London, it was hard to avoid constant focus on the extraordinary superficiality of Maazel's music-making. He is, after all, a paid-up member of the world's conducting elite;

his facility of technique, speed of musical absorption and general breadth of command remain the stuff of legend.

So the externalised, show-piece effects drawn out of the score - absurdly self-conscious extremes of dynamic, vulgar underlinings of brass-and-drum drama, lashings of "feeling" applied to the passages of quiet sentiment and heartfelt pleading - stuck out altogether more than they might in a reading by a conductor with less directorial savoir-faire. There were a few blips of ensemble between the onstage brass and the main orchestra; for the rest, and with the above reservations firmly in mind, the playing and choral singing were representative of the Philharmonia's celebrated Verdi Requiem best.

There was an odd, mismatched team of soloists - odder even than originally planned, since Claire Powell,

the lightweight but very musical mezzo, came in as a last-minute replacement. The lowest voice belonged to Glyndebourne's mighty Porgy and Bess Crown, Gregg Baker, and sounded here secure but resolutely unidiomatic. The young Frenchman Roberto Alagna, hotly tipped as the world's "next" tenor star, will surely want to forget this occasion, and the amount of erratic, out-of-tune delivery he contributed thereto, as soon as possible.

It was left to Nina Rautio - a Russian soprano spinto of grandly imposed authority, rich-grained in tone, only occasionally uncomfortable in changes of gear - to convey an authentic sense of Verdian style and content otherwise very largely obliterated.

Max Loppert

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## Off the Wall/Antony Thornicroft

# Arts Council saves face with a stroke of genius

Have they got away with it? Will the men who masterminded the biggest debacle in the famously accident-prone Arts Council survive in their jobs? It looks like it. On Wednesday the Council ignored the evidence of Sir Leonard Hoffmann's committee into the funding of the London orchestras; disregarded the advice of its own music department, and decided that all four orchestras should receive support in 1994-95 miraculously close to their grants in the current year.

The Council's long cherished dream of two super orchestras in London matching in quality the best of Vienna and Berlin goes on ice - at least for another few years.

But the solution was a stroke of genius. An absence of victims made it a non-story for the blood-seeking media, and the orchestras were so relieved that, with the exception of the hard done by Philharmonia, its audience for puccinis, months of turmoil and heartache, of indecision and double dealing, to say nothing of defence costs of at least £100,000 accumulated by the three orchestras in the firing line, have come to nothing. At least Anthony Everitt, secretary general of the Arts Council, had the grace to say that the orchestras might receive compensation for their trouble.

Lord Palumbo, chairman of the Council, could be indicted for pushing the super orchestra idea beyond the call of duty; Anthony Everitt, for pretending to be the innocent messenger between the Council and the music panel; Ken Baird, head of music at the Council, for allowing his recommendation that money should be switched from the LPO to the Philharmonia to be over-ruled by the Council; and Bryan Magee, head of the music panel, for allowing his colleagues to break ranks, resign, leak to the press, and generally behave like musicians.

There is one other man who must be lighting candles this weekend: Nicholas Snowman, director of the South Bank Centre, who was languidly ticked off by Sir Leonard for pushing too hard for the LPO, the resident orchestra at the Centre, in his evidence to the Committee. It could be that Hoffmann came out, marginally, in favour of funding the Philharmonia at the expense of the LPO because of such pressure. If the Arts Council had gone with the Philharmonia, as it was

morally bound to do, Snowman would have been in an impossible position, with an under-funded resident orchestra with a locked in five year contract, and the prospect of coming to terms with the Philharmonia, with which it has strained relations.

One thing has been gained: an excellent report by Sir Leonard Hoffmann into the London music scene, which is available, gratis, from the Arts Council, to anyone interested. The report contains some depressing details. The LPO, the Philharmonia and the

perhaps London's premier orchestra; and the LPO its confirmation as resident at the South Bank, with funding intact. The Arts Council hardly deserves such a happy result.

There was little merriment at the antique dealers' parties this week. Flamboyant gallery owner Roy Miles for once summed up the general mood: "we are entering the final death throes of the London art market". Yet the cause of this gloom, the imposition, at last, of VAT on works of art imported into the UK from

have been given a valuable lifeline in an extension from six months to two years in the imposition of the tax. If a gallery importing, say, a painting from New York sells it to a collector outside the EC within two years there is no VAT. The big dealers have galleries in the US so if they are unable to find a buyer within two years the picture can be exported to the sister gallery with no tax burden.

Of course the real worry is that after five years the VAT will be raised to 5 per cent or more. This is the genuine concern of the dealers. The government has it in its power, at minimal cost, to make things easier for them. They have to accept an EC imposed import tax for the first time, but they still pay 17 per cent VAT on works of art painted since 1973 while dealers in EC countries pay around 5 per cent. Reducing VAT to the EC level would give a great fillip to contemporary art and provide the dealers with hope for the future.

The UK's oldest public picture gallery, at Dulwich, has secured its future by getting an aimable divorce from its previous Trustees, the governors of Dulwich College and Alley's School, and gaining an impressive new board, headed by Lord Sainsbury of Preston Candover, and including the generous, and rich, Mrs Vivien Duffield and Christopher Brown, chief curator of the National Gallery.

The new board is seeking an endowment of £5m-£8m. This will ensure that the Gallery no longer suffers from a persistent annual shortfall in revenue of around £200,000. It will also enable it to open at lunch time, improve the lighting, promote itself, and, eventually, build on a café, and space for temporary exhibitions.

## Lack of victims made it a non-story for the blood-seeking media and the orchestras turned into pussycats

Royal Philharmonia all have worrying deficits; the South Bank, the main London showcase for all three, is suffering from a serious decline in its audience for orchestral music, from an average paid attendance of 61 per cent in 1970-71 to 60 per cent in 1992-93. Any dispassionate observer might say there are too many orchestras in London; perhaps the Arts Council should look into the matter.

But, despite the ironies, the final messy compromise is probably the least damaging. Everyone knows that, most nights, there is nothing to choose between the playing quality of the four orchestras (adding in the LSO at the Barbican). Subsidy is a small and declining part of their income. Let the market place decide their future. This week end the RPO can celebrate the prospect of £500,000 in sponsorship support from Classic FM; the Philharmonia, the public acknowledgement that, along with the LSO, it is

non-EC countries, had been hailed by the other half of the market, the auctioneers, as a minor triumph. "The net effect of these new proposals is minimal," cooed Christie's. "We are pleased the present uncertainty has ended," adds Sotheby's.

On the surface the imposition of VAT at 2½ per cent is scarcely lethal. Christie's was quick to produce a table which showed that an imported item from Australia, say, or the US, which sold for £100,000 in the auction room, would now cost the buyer £770 more. The levelling of VAT on the gross price produces an extra cost just marginally higher than the previous payment, which included 17.5 per cent levied on the buyer's premium: the final price would be £114,287 as against £113,512. A non-EC buyer who then exports the antique outside the EC would actually pay less since he could get a VAT refund.

The auction houses says the dealers are crying wolf. They

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## ARTS

Simply mad  
MacbethMalcolm Rutherford reviews the  
new RSC production

Very broadly speaking, there are two ways of playing Macbeth the man. One is that he is too full of the milk of human kindness to be a natural villain. He is egged on to dreadful deeds by his ambitious wife. In the end he is "in blood stepped so far that, should I wade no more, returning were as tedious as go o'er." Thus in the final scenes he fights bravely, rather like Richard III.

The other is that he is a calculating, ruthless fellow in the first place and Lady Macbeth is none-too-relevant to his motivations. There is, of course, a considerable overlap between the two approaches, the main interest being to which side the actor leans.

In the new production by The Royal Shakespeare Company, Derek Jacobi adds a third possibility: namely that Macbeth is simply mad. Mad in the conventional criminal sense of being a regicide and more, but psychologically, certainly insane. If this Macbeth came up in court, a competent defence counsel might plead that he acted while the balance of mind was disturbed, and a liberal judge might let him off with a caution.

There is some - not much, but some - evidence in the text for this novel interpretation. For example, Macbeth sees a dagger before his eyes which plainly is not there. He sees the ghost of Banquo, invisible to everyone else. He believes in witches. And here comes the clinching line. When the forces of good are closing in on Duncan, the Scottish nobleman, Caliban (not one of Shakespeare's most fleshed-out characters), comments on Macbeth: "Some say he's mad; others, that lesser hate him, do call it valiant fury".

Adrian Noble, the director, has gone for the "some say

he's mad" view. This is a fatal mistake, just as it is always dangerous to try to impose a single, minority interpretation on a Shakespeare play. All the rest of the evidence is in favour of valiant fury. The only excuse is that Jacobi is very good at playing madmen.

There are other weaknesses, stemming from a similar inflexibility to academic theories. A literary critic, Terry Eagleton, has written that "it is surely clear that positive value in Macbeth lies with the three witches of the piece". Noble has plainly read him. The witches in this production occupy a huge amount of time. They speak very slowly and are exceedingly boring.

The slowness is catching. It is quite a feat to make the shortest of Shakespeare's major plays last for just over three hours. When Jacobi speaks the famous "Tomorrow" line, it almost seems that the second tomorrow will never come, let alone the third.

Some other comments. This is the second botched production of Macbeth in London in the last year or so. Richard Eyre fell down at the Royal National Theatre by casting a young Lady Macbeth who was not up to the part. She was meant to be the sex kitten behind Macbeth's ambition.

Cheryl Campbell's Lady Macbeth at the Barbican is altogether more mature. If it were not for the rest of the production, one would say that her performance is outstanding. Yet if her husband is as mad as she becomes, the balance is distorted. At times - at the banquet scene, for instance - she seems the only sane person in the play.

Both Eyre and Noble seem to have a distaste for Scotland. It is necessary to present the place as being so gloomy of Stygian, gloomy of Stygian gloom? If you



Good at playing madmen: Derek Jacobi in the title role

can have glamorous parties in Elsinore, after the death of another king, surely you can be allowed to live it up a bit north of the Tweed? The most that is offered here is a dreary Scottish reel, performed in semi-darkness. And the message is that the Scots, unlike the Danes, do not know how to dress. If you can make a character out of Osric in *Hamlet*, it

must be possible to differentiate between the Scottish lords, Lennox, Ross, Menethiel, Angus and Caliban.

Denys Hawthorne's Duncan, clad in a long blue woolly sweater with a nightshirt underneath, and flowing flaxen hair, adds nothing to the play, though there is a very good Macduff played by Michael Siberry.

Noble's previous Shakespeare productions for the RSC have been comprehensively excellent. This is a lapse from which he will recover: even Newcastle United can't win every week. The result of the Noble/Eyre contest on *Macbeth* is a goalless draw: replay soon.

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Where have all the  
classics gone?Personalities or minimalism is what the CD buying  
public seems to want, says Richard Fairman

There will be fewer classical CDs among the presents around the Christmas tree this year. Figures for sales of recorded music included in the FSI's yearly Cultural Trends, published last week, show trade deliveries of classical albums have dropped a quarter since 1990 and their market share down to 9.2 per cent after two years over 10 per cent. Although the statistics may look discouraging, there is no surprise here. The success of the World Cup gala with the "three tenors" - Carreras, Domingo and Pavarotti - was a one-off.

What is more interesting is a cultural trend that no statistics can measure. The public's taste in classical music has changed dramatically in a way that has implications for the whole industry in the future. To see how, we need only ask the ghost of Christmas past.

Look at the best-seller lists for the winter of 1993. Karajan had recently recorded two opera sets, Fuccini's *La Bohème* and Lehár's *The Merry Widow*. Both were old favourites aimed at the present-giving season and record shops as far afield as Glasgow, Leeds, Manchester and London reported brisk sales. Other records to feature were Prokofiev's *Rachmaninov's Second Symphony* and a complete set of Beethoven's Piano Concertos played by Ashkenazy. All good, solid classics.

Now jump ahead 20 years. The profile of what we are buying has changed beyond recognition. A recent best-sellers list from the HMV record shop includes all manner of hits. For a start, there are two discs by Cecilia Bartoli, the young and extremely attractive mezzo, and another by Uta Lemper, who is only a little way behind in both categories. As it is unlikely that the public has

suddenly formed a craving for *aria antiche* or the songs of Kurt Weill, one can safely conclude that the personalities are the attraction. It cannot be a coincidence that both ladies are familiar from television. After tasting success with classical artists such as Pavarotti and Nigel Kennedy, the cannibalistic mass media are on the look-out for new bodies on which to feed.

This year, however, has been dominated by quite another phenomenon - the music of Gorécki, Pärt, Tavener, Nynnon and Glass, representing minimalism of every hue. There is no doubt in my mind that this is a passing fad. But where has it come from? The mere fact

Classical recording companies are being thrown this way and that by passing fashions like their pop counterparts

that the classical record industry can be thrown this way and that by passing fashions like its pop counterpart is in itself a new phenomenon.

There are people who have not grown up with classical music, but want to investigate what it might have to offer. Reared on the short attention-span which is all that is expected by other forms of entertainment today, they buy discs of compilations ("Essential Opera" or "Concerto Sampler") and are attracted by round-bites on the radio to music that demands no concentration. Gorécki may be pleading for political tolerance, Tavener and Pärt may be searching for religious truth, but that is not why they have become popular. Their music is easy to absorb. It is culture on a sugar-lump.

Without the boom in sales during the 1980s caused by the advent of the compact disc, the choice of music available on recordings would never have advanced this far. Suddenly record companies could afford to be adventurous. When Virgin recorded Tavener's *The Protecting Veil*, nobody could have predicted its mass appeal. When Elektra-Nonesuch unearthed Gorécki's Third Symphony, it was a shot in the dark. Gorécki was unknown then. It was marketing - especially the dissemination of the music through radio, including the newly-formed Classic FM - that did the trick.

This broadening of the repertoire can be seen on all sides. The popularity of early music has long spread beyond the university cities and we think nothing today of finding a set of the Mozart's Symphonies No 41, brilliant again in the Jansons manner, while staying within accepted notions of classical style. The conductor's spruce handling of orchestral ensemble worked well in this symphony. Under Jansons a crocheted or quaver is just that, never longer, often trimmed slightly short. When no note is allowed to overlap with another, the effect is of sharpness and clarity, and every part in Mozart's complex flow was easy to hear.

In retrospect, it is difficult to imagine how the arts Council could have justified starving one or two of London's orchestras of funds. When the LPO is playing as well as it did for Jansons, it is within reach of the international standard the bureaucrats crave. Then there is the Philharmonia, forging exciting artistic alliances, seeking a prime place for itself on the international stage in Paris and Salzburg. Each has made - and won - its case.

Richard Fairman

Sponsored by Audi

Cows in the  
landscape

There is something very Dutch about a man who has "Work is pleasure" painted above the drawing-room mirror. Hendrik Willem Mesdag (1831-1915) was a painter, draughtsman and promoter of modern art. His lasting memorial is the Mesdag Museum in The Hague, the first museum of modern art in the Netherlands. Mesdag built it beside his house in 1897 as a place where future generations would find art which was uninhibited by the dead hand of the academy, a fresh, passionate celebration of the truth of Nature. *Treasures of the Mesdag Collection*, now at the National Gallery of Scotland, introduces the museum to a wider public.

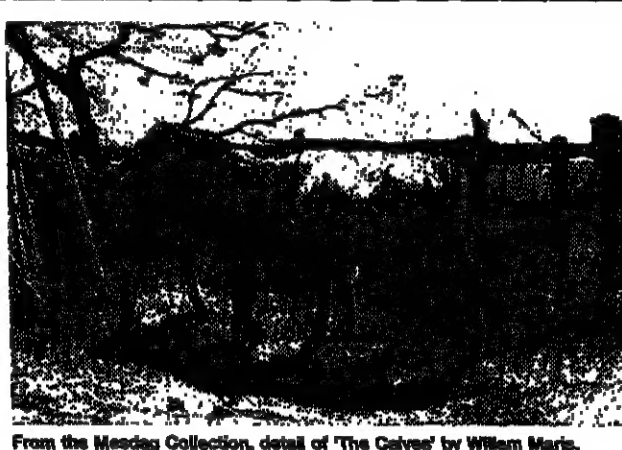
The exhibition well reflects the strong and particular character of the Mesdag Museum and its maker. Mesdag started work with the family bank, but at 35 he resolved to give up business for ever. He was set on becoming a painter, like his wife Sien van Houten and many of their circle. Four years later, a stormy sea of his son a Gold Medal at the Paris Salon and Mesdag was launched as the leading Dutch marine artist.

He moved to the Hague to be

close to the coast at Scheveningen, where he loved to paint the horses pulling up the fishermen's boats. When it was decided to level the dunes to make a resort, the Mesdags were asked to give up their life to the sea. What was the artist friends painted the Panorama Mesdag, a 130 metre view of the coast on the kind of grey, choppy day the Hague School liked best. This quaint relic of nascent environmentalism can still be visited, although few people do. The sketch for it is in the exhibition.

*Treasures from the Mesdag* does not look well in the Edinburgh gallery - the ceilings are too low and the wall colour is all wrong. However, it makes perfect sense that in the adjoining room hang the gallery's Daubignys, and the little Daubigny, *Portrait of the Artist*, and of course the Van Goghs. What we see from the Mesdag is, after all, canvasses by many of Van Gogh's heroes.

As in the Mesdag Collection itself, half the paintings are French 19th century; Delacroix, Courbet, Daubigny, Millet, two late Corots, and French painters whom Mesdag admired. In many cases these artists knew each other. Moreover, they shared a tremendous respect for the Dutch 17th



From the Mesdag Collection, detail of 'The Calves' by Willem Maris.

century masters, particularly Rembrandt and the landscape painters. The Hague School's subjects are quintessentially Dutch in their predilection for cows, seascapes, church interiors, genre scenes such as the fishwives' *Waiting Lesson* by Garke Hinkes, bonneted children, and portraits of large and faintly greasy kitchen girls. Seeing the Mesdag in miniature I found a far from uplifting experience.

It will be several years before the Mesdag Museum reopens. The government has bought the painter's house and it and the museum are now being restored to their circa 1900 appearance.

Patricia Morison

Treasures of the Mesdag Collection is at the National Gallery of Scotland until February 7 then at the Walker Art Gallery, Liverpool, until April 10. It is a National Touring Exhibition organised by the South Bank Centre and sponsored by BT.

Jansons sparkles  
with the LPO

Within a couple of hours of the Arts Council making its final proclamation on the funding for London's orchestras, the London Philharmonic was taking its place on the platform at the Royal Festival Hall. The orchestra must have felt like bringing forward its end-of-season performance of Mahler's *Resurrection Symphony*.

In fact, the concert was a modest occasion. Marius Jansons, since last autumn Principal Guest Conductor, was in charge of a standard classical programme, comprising overture, concerto and symphony (almost a rarity these days). From this concert it would seem that the orchestra has decided to let him roam further afield than before. Jansons has become so highly regarded for his interpretation of Russian and Scandinavian music that he has rarely been allowed to conduct anything else by the London orchestras. Every concert has featured music from within a few hours' train or boat ride of his native Latvia; Schubert and Mozart must seem to entail a long journey.

Any fear that he would lose his customary ebullience on the way was quickly set aside. Schubert's *Overture to the Italian* style sparkled with brilliance. Even in Beethoven's Third Piano Concerto it was the conductor and orchestra

who were the focus of attention, rather than the soloist Mikhail Rudy, who sat amid playing of dramatic fire without the heat seeming to touch him. The high quality of his musicianship was only partial compensation.

The Mozart was Symphony No 41, brilliant again in the Jansons manner, while staying within accepted notions of classical style. The conductor's spruce handling of orchestral ensemble worked well in this symphony. Under Jansons a crocheted or quaver is just that, never longer, often trimmed slightly short. When no note is allowed to overlap with another, the effect is of sharpness and clarity, and every part in Mozart's complex flow was easy to hear.

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Richard Fairman

Sponsored by Audi

## Radio/B.A. Young

*History Now and Then* was four discussions by academics on Radio 3, from Monday to Thursday, on the influence of current beliefs on our approach to history. "Now" was not much after the industrial revolution; one place was on the Civil War, but with no part for Ian Richardson. Roy Porter chaired.

Monday was *People's History*, below the kings and battles we all know. A York excavation told about the food, clothing and health, even pets, of 10th-century folk, not in the history-books. But little about God. In the late 18th century the people drifted from the Church of England to Dissent; but what we now have is just "cultural anthropology", inadequate on say, sex. The panel spoke well of E.P. Thompson's *History of the English Working Class* and called for a history "in depth".

Tuesday was gender (not sex). Eighteenth-century history is full of Great Men;

women were generally victims or rebels. Good points on political influence in country houses, and things like tailoring - a man must have English-style kit to distinguish him from foreigners, while women could wear French clothes without reproach. A complete history must include all such things.

Wednesday was school-book history, the Industrial Revolution - not such a revolution to historians as we had in the last 30 years. The data, as always, have a male bias; little is told of the changes for women and children, many of whom went to work. The standard of living from 1750-1850 was constant; height and nutrition were maintained; only later did they fall. Welfare depended on while one lived; workers in textile industries, for example, lost out to new items like the Spinning Jenny.

The Civil War on Thursday dealt 100 years further back. Fascinating to know of the crowd playing football with an executed head at Dorchester; to hear of the division between Anglicans and the Church of England; but what concerned the crowds besides playing football with dead heads? Was Charles II often discussed in the Roundhead kitchens?

Ray Gosling's is a lowbrow academic able to take some everyday thing and make it interesting. *Gosling on the High Street* (Radio 4, Wednesday) picks a familiar household name and examines its familiarity. Last week we had Frank Hornby, whose Hornby Trains covered every sitting-room carpet not able to afford a Bassett-Lowke. This week, Joseph Rowntree, whose sweets have spread from York around the world. He was more interesting

than Hornby, a mere engineer while Rowntree was a philanthropist. He worked with drinks in York and wrote a book on social reform that sold 90,000 copies. He founded three Trusts - for Quakers, social problems, and a model village where every villager got a garden with two fruit-trees. The sweet business was taken over by Nestlé's, is indeed his one memorial. "He would have a statue," grandson Richard Rowntree believes. Next week, travel-kings Thomas Cook, also a philanthropist, though not as keen as his rival Frim, who would make customers sign a no-drink pledge when they booked their excursion tickets. Cook thought the drunks themselves would be enough warning against drink.

Chess No 1,000  
1 Bg5? Qxg3! and White resigned. 1 Bf4! Resigns since 3 Rax and b4 will win a piece.

## The Official London Theatre Guide

THEATRE	ADDRESS	TEL	BOX OFFICE
ADRELLY, Strand	TEL 071 344 0001		
Barbican Theatre, Barbican	TEL 071 344 0001		
Cambridge Theatre, Tottenham Court Road	TEL 071 344 0001		
Charing Cross Theatre, Charing Cross	TEL 071 344 0001		
Citro Theatre, Tottenham Court Road	TEL 071 344 0001		
Drury Lane Theatre, Drury Lane	TEL 071 344 0001		
Gaiety Theatre, Tottenham Court Road	TEL 071 344 0001		
Lyric Theatre, Tottenham Court Road	TEL 071 344 0001		
National Theatre, Whitehall	TEL 071 344 0001		
Old Vic Theatre, St Martin's Lane	TEL 071 344 0001		
Palladium Theatre, Tottenham Court Road	TEL 071 344 0001		
Playhouse Theatre, Tottenham Court Road	TEL 071 344 0001		
Princess Theatre, Tottenham Court Road	TEL 071 344 0001		
Rehearsal Theatre, Tottenham Court Road	TEL 071 344 0001		
St Martin's Theatre, Tottenham Court Road	TEL 071 344 0001		
Swire Theatre, Tottenham Court Road	TEL 071 344 0001		
Theatre Royal, Tottenham Court Road	TEL 071 344 0001		
Victoria Theatre, Tottenham Court Road	TEL 071 344 0001		
Windsor Theatre, Tottenham Court Road	TEL 071 344 0001		
Young Vic Theatre, Tottenham Court Road	TEL 071 344 0001		



**CHANNEL 4**

**BBC2**

**CHANNEL4**

## REGIONS

list contains an impressive array of countries but, on closer inspection, most of the top names are former Soviet grandmasters who have spread round the globe. FIDE contin-

allowing for Kasparov and Short to be their true positions, the list is headed by Kasparov (2,800), Adams (2,746), Kramnik (2,715), Shantkuch and Kramnik (2,710), Short is No 11 (2,675) and Michael Adams (2,660), while Judit Polgar (2,630) is just below the top 20 men.

Short, Adams, and India's Visby Anand are the only realistic rivals to the ex-Soviet phalanx. This could blight the FCA's plans for a professional

circuit on the model of tennis and golf, sports where many top players are Americans or west Europeans.

This week's game is from a rare UK success in Italy where Tony Kosten outpointed two Ukrainian GMs (A. Kosten, White; J-P. Maillert, Black; Citta di Asti 1993).

1 c4 c6 2 e4 d5 3 cxd5 cxd5 4 exd5 Qxd5? Better is Nf6, avoiding loss of time with the queen. 5 Ne3 Qd6 6 d4 Nf6 7

**BRIT**

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1 c4 c6 2 e4 d5 3 cxd5 cxd5 4 exd5 Qxd5? Better is Nf6, avoiding loss of time with the queen. 5 Ne3 Qd6 6 d4 Nf6 7

**BRIT**

My hand today, which comes from rubber bridge, shows excellent card reading and brilliant technique by the declarer. Let us study Royal Abduction:

		N		
		♠ 9 5		
		♥ 8 3		
		♦ J 7 3		
		♣ A K J 9 8 5		
	W		E	
♠ 4				♠ K Q J 10 8 7 3
♥ 7 4				♥ 8 5 2
♦ Q 10 8 5 4 3				♦ -
♠ 10 7 2				♠ Q 6 4
		S		

♠ A 6 4  
 ♥ A K Q J 10 9  
 ♦ A K 8  
 ♣ 3

With North-South vulnerable, South opened with two clubs. North gave a positive response with three clubs. East bid four spades. This could have been doubted and set four tricks, but South jumped to six hearts closing the auction.

West led the spade two, an obvious singleton and declarer had to win East's knave with

his ace, because he was in a suit contract. Had he been in

---

## CROSS

No. 8,335 Set b

A prize of a classic Pelikan Souvenir for the winner's name for the first correct answer to the crossword puzzle. Prizes of £25 Pelikan vouchers. Sold marked Crossword 8,335 on the reverse of the puzzle.

One Southwark Bridge, London SE1

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100	101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500	501	502	503	504	505	506	507	508	509	510	511
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A 10x10 crossword puzzle grid. The grid consists of white squares for letters and black squares for empty space. The numbering is as follows:

- 1: Down (top-left corner)
- 2: Across (row 2, column 1)
- 3: Across (row 3, column 1)
- 4: Down (row 4, column 1)
- 5: Across (row 5, column 1)
- 6: Down (row 6, column 1)
- 7: Across (row 7, column 1)
- 8: Down (row 8, column 1)
- 9: Across (row 9, column 1)
- 10: Down (row 10, column 1)
- 11: Across (row 1, column 2)
- 12: Across (row 2, column 2)
- 13: Across (row 3, column 2)
- 14: Down (row 4, column 2)
- 15: Across (row 5, column 2)
- 16: Down (row 6, column 2)
- 17: Across (row 7, column 2)
- 18: Down (row 8, column 2)
- 19: Across (row 9, column 2)
- 20: Down (row 10, column 2)
- 21: Across (row 1, column 3)
- 22: Across (row 2, column 3)
- 23: Across (row 3, column 3)
- 24: Down (row 4, column 3)
- 25: Across (row 5, column 3)
- 26: Down (row 6, column 3)
- 27: Across (row 7, column 3)
- 28: Down (row 8, column 3)
- 29: Across (row 9, column 3)
- 30: Down (row 10, column 3)

Name \_\_\_\_\_  
Address \_\_\_\_\_

**ACROSS**

1, 29 I can turn in at last,  
maybe blushing for being  
short of money (11,11)

7 and 28, 20 across Cry of relief  
heard on airman's return:  
gamble on tiny little number,  
many times 11 (3, 2)

9 Maybe early person with vertical object (5)  
10 Close hiding - short of money and unwilling to give it, tele-scoping (4-5)  
11 Clean around a little way that leads to the drain (5-4)  
12 Saint may get out of safe (5)  
13, 15 See 27  
18, 8 Divers needed for mysterious situation or shortage of money (4-5)  
20 See 7 across  
23 Coins for plate (5)  
24 Moved into form of little for this century (8)  
25 Expanded, being short of money (8)  
27, 13, 15 Verne's work has new title "A bed is wanted" - the

[illegible]

**WINNERS 8.33:** Barbara Miller, 5  
Brittenden, London W2; Hally Han  
Dunford, Exeter; A.J. Prevett, Wes  
Brighton, Sussex.

# RADIO

**SUNDAY**

18. 8 Divers needed for mysterious situation or shortage of money? (4,8)

20 See 7 across

20 Coins for plate (5)

24 Moved into form of little for this century (9)

25 Kerosene lamp, being short of money (8)

27, 13, 15 Verne's work has new title "A bed is wanted" - the words labored (15,3,2,2,4)

28 See 7 across

**Solution 8,334**

R	A	P	P	O	R	T		R	E	C	O	V	E	R
E	A	C	R											
S	E	R	B		S	S	A	I	L	A	N	T		
F	A	A		C	E		S	E	L	L				

WINNERS 8,333: Barbara Miller, S. Brittenden, London W2; Hally Han Dunsford, Exeter; A.J. Prevett, West Brighton, Sussex.

WINNERS 8,333: Barbara Miller, S. Brittenden, London W2; Hally Han Dunsford, Exeter; A.J. Prevett, West Brighton, Sussex.

# CHES

Bc4 e6 8 Nf3 Be7 9 0-0 0-0 10  
Qe2 Nc6 11 Rd1 Nb4 12 Bg5  
Nbxd5 13 Ne5 a6 14 Rac1 Rdb8?  
15 Bd3 Bd7 16 Nxd5 Nxd5?  
Black has weakened the flash-  
point squares f7 and h7. 17  
Bxh7+! A familiar winning tac-  
tic. Kxh7 18 Qb5+ Kg8 19  
Qxf7+ Kh7 20 Rd3 Bxg5 21  
Rh3+ Bh6 22 Rxh6+ Resigns.  
Chess No.1.000

Neil Carr, a leading City expert, had this position as White (to play) twice within a

few months. 1 Qxb5? fails to Qxg2 mate. Carr v. Hartston went 1 Bg5? and the reply forced White to resign. Then, in Carr v. James, he played an improvement and Black resigned. Can you explain?  
*Solution Page XVIII*

**Leonard Barden**  
**JUDGE**

## BRIDGE

no trumps, he could have ducked the first trick, and played for a double squeeze. He drew three rounds of hearts. East followed three times.

Then South cashed the diamond ace and East showed out. The voyage of discovery was over - South knew that West had seven diamonds and three cards in the majors, and that East had 10 cards in the majors and no diamond. Both opponents held three clubs. But who had the queen? If West holds it, a simple finesse lands 13 tricks; if East holds it he can be subjected to a squeeze and endplay. How can South know the winning line?

Declarer found the winning line. At trick six he led a club to the ace, followed by the king, on which he discarded his diamond king and ruffed a low club, knowing the queen must fall. He led a diamond to West's queen. The forced diamond return allowed dummy to score two knaves, on which South disposed of two spade losers. Slam delivered.

*E. P. C. Cotten*

# WORD

## CROSSWORD

by CINEPHILE  
 an 800 fountain pen, inscribed with the  
 solution opened and five runner-up  
 solutions by Wednesday December 29  
 slope, to the Financial Times, Number  
 SHL. Solution on Saturday January 1

**29 See 1 across**  
**DOWN**

**ACROSS** 29 See 1 across  
can turn in at last. **DOWN**

- 1 Have a high standard of living at last? (8)
- 2 Home (birds) arranged in two sets (4,4)
- 3 Verne's work, "Bottle"? (5)
- 4 Influence for good in part of church (7)
- 5 Dallies, changing its role (7)
- 6 Trace of abominable character: I'm publishing just the same (4,5)
- 7 Lack of air first leads to thematic style (6)
- 8 See 18

14 See 21  
16 Substitute players useful  
when short of money (8)  
17 Blushing, being short of  
money (8)  
19 Plate broken by doctor in  
Mary's company (3,4)  
20 Gunner's pass? (7)  
21, 14 Lofly hen, half fed,  
inclined to lose its rag (3,3,6)  
22 A soft fruit, look! (6)  
25 Friendly spot in Hatton Gar-  
den (5)

**Solution 8,323**

M	A	J	O	R	I	T	Y		L	O	G	J	A	M
O	U	O	H						Y	A	O			
R	I	N	G	M	A	I	N		B	E	A	C	O	N
O	G	A	R						B	R	K	I		

South Holmeswood, Surrey; Miss M  
 urdie, St Ives, Cambs; G.J. Linney  
 st Mersea, Essex; Edward Telesford





"Mummy," says Doreen Rawley to her mother, Lady Mortlake, "I wish you wouldn't encourage Michael with his political career. I'd so much rather he did a job of work!" This characteristic piece of wit from John Osborne's eminently revivable play, *The World of Paul Slicker*, came subversively to mind as I read yesterday's *Daily Telegraph*.

According to the chronicle of all that is most peculiarly English in the English way of life, no fewer than 16 members of parliament had signed a House of Commons motion complaining that the British Broadcasting Corporation had made England's rugby union players "Team of the year".

There might be butchery in Bos-

## Rugby award causes Commons ruck

Dominic Lawson finds that when there are prizes to be handed out, controversy is not far behind

nia, mass unemployment throughout Europe and a fascist about to seize control of Russia, but we can trust British MPs to get agitated about the things which genuinely matter. The motion, drawn up by Labour members, went on to ask why "more appropriate contenders" were overlooked.

Apparently, some of the honourable members felt strongly - the only way in which they do feel things - that the England World Cup-winning women's cricket team should have been given greater consideration. Still, I suppose we should be grateful that the motion

was not drafted by loyal Conservative MPs: they would probably have nominated the Cabinet.

All this, however, paled in comparison to the fuss stirred up in the tabloid newspapers last week over something called the British Comedy Awards. This event, held at the Dorchester hotel - how very pleasant - at the end of November, gave the supreme accolade of "top TV comedy actor" to Rik Mayall. But, according to the front pages of several of the UK's most successful newspapers, the award was a flax.

Mayall's name, they claim, was not even on the shortlist of candi-

dates, which consisted of people with real names like David and Richard and Michael and Neil. It was "a scandal", declared *The Sun*, and others seemed to agree.

Hardly a week goes by without a public debate over one award or another. Typically, these awards are made by a group of people in one business to another in the same line of work. They are simply a good excuse for a large number of cronies to have a seasonal bash at the Dorchester at somebody else's expense. Members of the publishing, newspaper and television industries, masters of the expense

account life, are particularly keen on this sort of thing.

Such events should be of no concern to the public who are, quite reasonably, excluded from these Masonic gatherings. In the case of the BBC team of the year award, the business is not even settled by a ballot but decided by executives. The MPs should mind their own business - or start up their own award, which they could give to the English women's cricket team.

It is remarkable, though, how steamed up outsiders do get about awards. The Booker literary prize never manages to create anything

less than a full scale controversy. But it is just a handful of writers trying to do a favour to a friend in need. The amount of money involved is usually less than the advance which the winner received for his work, long before it was known to be any good.

The most lucrative of all the awards, and perhaps the one which started all the rot, is the Nobel prize. Each of those is worth £100,000, tax free. No wonder people become jealous, or outraged. The British complain bitterly that Graham Greene or Anthony Burgess never won the prize for litera-

ture, and moan incessantly when it is handed to a succession of third world authors, few of whom write in God's own language.

But why should we care which obscure Egyptian poet was the compromise choice of a panel of six senile Swedes? If the trustees of the estate of the man who founded the modern explosives industry wish to spend the income from Alfred Nobel's bequest in all manner of idiosyncratic ways, let them.

Meanwhile, the UK's elected representatives should find other ways to occupy their time. I refer back to John Osborne's brilliant play. In answer to Doreen's "I'd so much rather he did a proper job of work!" Lady Mortlake remarks: "I suppose he could take a few directorships." Doreen: "But darling, that wouldn't keep his mind occupied." ■ Dominic Lawson is editor of *The Spectator*

Private View / Christian Tyler

## A dreamer with designs on life

Their work is all around us but we never know their names. They shape everything we see, from soap trays to shopping arcades, and leave behind no mark, no signature. These anonymous people are called designers.

Who, for example, created the plastic shades that pull down over aircraft windows? Or the tree walk in Battersea Park? Or the superstructure of the QE2? As it happens, the answer to all these questions is James Gardner, a man known to his friends as "G" and to the rest of his countrymen... hardly at all.

Gardner has been designing things for more than 70 years. At the age of 15, he was at Cartier's studio in London's Bond Street working on a tiara for opera star Dame Nellie Melba.

At 86 - which he will be in 11 days - he is doing a visitor centre for Stonehenge, a warfare museum for Hartlepool and an archaeological park for the Israeli desert.

"I'll be about 90 by the time it's finished," he said. "So I'd better put ramps in, hadn't I."

When I asked him why designers in Britain were invisible, he said it was because they were not regarded as "professionals". They were seated always at the bottom of the table.

Things are different abroad: arriving once in Sweden by boat, he found cameras at the quayside. "I thought it was some politician or starlet going ashore. I went down and it was me they were taking!"

The English were more literary than visual and were mentally anarchic and lazy, he said. They took their gifted Renaissance children and taught them to suppress their physical and visual senses. Gardner says he escaped. "Education didn't touch me. I just ignored it. I was completely unteachable."

Were you bolshie?

"No, not particularly bolshie, just not interested. So the childish part of my brain still remains, you see. Directly I left school, I started reading and studying the books I didn't want to read at school."

You knew you could draw and that was enough?

"That was my way out. The teachers were enemies in a sense, actors who knew the lines when I didn't. I wasn't all that interested in the play, anyway."

He was born a spectator and recorder. "Scientists may classify me as *homo sapiens*. I'm not at all, really. I'm a chap from another planet and I've been sent here as punishment." He chuckled. "I'm very much a loner."

Does loner mean lonely? "I don't have any close relationships but I deal with quite a lot of associates. And I find... I'm not very fond of myself as a person and I don't want to sit down and examine my navel and get introspective. So I work. And I just work. That's it."

**James Gardner's 70-year career began with Nellie Melba. Now he is working on Stonehenge**

What is it about yourself you don't like, then?

"Goodness knows. Never did." He gave a nervous laugh. "A lot of people are like this. It's a Calvinist thing, an inborn sense of guilt or something. I've got to work to justify myself, all the time."

Idleness is the great sin? "Yes. People say 'what do you do for your leisure?' and I have to think: er... I look on leisure as a sort of retirement on the instalment plan."

You never wanted to retire and sit in the sun?

"Oh lord, no! I can understand other people doing it, just as I see walrus doing it on the beach."

Despite his obvious facility with pencil and brush, Gardner says he never wanted to be an architect or painter. He disparages architects who consider themselves intellectuals but forget for whom buildings are built.

What do you mean by intel-

lectuals? "I put it this way. The world is populated by two kinds of people: the yakkers or talkers, and the doers. And I think the talkers can get dominant and then the doing goes wrong - for example, the Bauhaus in Germany."

Commercial art was not a poor relation: it just had different objectives. When he was a student, it was a blossoming industry and art with a capital "A" was for people with rich uncles or a bit of money.

"I didn't have either. But I've never had an aim to express myself. I'm given a problem and I try and solve it - a ship or a museum. Give me a blank bit of canvas and I'm at a loss."

His secret, he said, is visualisation. "I've practically got a photographic memory, to start with. You give me a problem and I can build a model in my head, almost instantaneously. The whole thing is real in my head, as you might get in a dream. Then I translate that onto the drawing board."

"When I hit problems of mechanics and technology, I ask experts, or experience teaches me. Then I'm able to translate it into 3-D again."

Gardner progressed from advertising and product design to exhibition work. During the second world war, he translated ticker-tape reports into battle-scenes for the *Daily Express*, then found himself in the deception and camouflage game building pneumatic tanks, artillery pieces and landing craft to fool German intelligence, and an exploding bicycle pump to cheer the French Resistance.

His experience of fairs and exhibitions led to the "concept museum" of which he was a pioneer, replacing the traditional glass-case hall with the one-way circulation system "where people go in one end and come out with different ideas at the other."

Among the many was the Museum of the Diaspora in Tel Aviv and (on a related theme) the Museum of Tolerance in Los Angeles. He is most proud of his national museum of natural science in Taiwan, the story of man's evolution seen through his (Gardner's) eyes. But much of his large output had, of its nature, been ephem-



eral. Did that make him feel he had wasted his substance?

"Yes, but I think it's as far as one can go in modern society. I don't think the real is very acceptable. The only time people are interested in the past is where they go through the portals of a museum. The rest of the time, they're just running around like rabbits and not really thinking at all."

Gardner is an individualist, but with two personalities. The one I met tended to the gloomy. The other, portrayed in his recent autobiography *The Artful Designer*, is boisterous, quirky and irreverent.

His father was a travelling salesman in ladies' hats, his mother the Belle of Tunbridge Wells. She died from a clot on the brain while cutting the bread for breakfast one morning. The boy was only 14, did not get on with his stepmother and went out into the world.

He married Mary Williams, a goddess he met behind the counter at Selfridge's in London's Oxford Street. She was pregnant by a Spanish salesman and "G" agreed readily to become her husband, and father to the twin boys. But the long marriage was dull, he said.

When his wife died, he disposed of the house. What could not be sold or given away, he heaped into a sacrificial bon-

fire that lit up the hillside. In the office and on his travels, he was assisted by a succession of pretty secretaries named, collectively, "Mahlbelle".

Despite the book's apparent hints to the contrary, he assured me they were not mistresses.

I said the book made him sound pleased with himself.

"Oh, that's good. I'm glad to hear that. People have told me it's a very cheerful book whereas I tend to be, frankly, rather a morose character. Anyway, I kid myself I am." It was not black moods, he said,

but a tendency to see half-empty pots where others saw half-full ones.

I asked: where does the moroseness come from?

He pondered. "I think that I was rather over-idealistic when I was a youngster. And you find that everything flattens

out and things just don't hap-

pen. "I thought we were going to improve Britain's appreciation of design, but it's very difficult to get in under the British and change them. They've got this inertia that goes way back. And it's disappointed me, really. I feel we're not getting anywhere."

"You ask most people what will happen in their countries in five or 10 years and they'll give you an answer. But, in England, no one's got a clue. It's rather a poor show for a nation with our terrific past."

With the Roman senator and the Japanese samurai, the English Gentleman ("who's quite bogus really: he had to behave because of the servants") was one of the great creations of history. His taste, manners and literature had been copied the world over.

"Then two wars partly did it and we went flop. I feel I'm living in a flop period. That's what makes me slightly sad about things."

Your book offers no conclusion about your life, I said. What would it be?

"What am I doing here? This complex of electrons and molecules all buzzing like mad and keeping me up on my two legs. What's it all for?"

"There's an over-developed brain which invents a purpose, whereas probably the football fans have got it right when they sing 'We're here because we're here because we're here.'"

"At the end, all my *compères* are either retired or dead and I'm still at it. So, I rather feel like doing a snook at life and saying 'Anyway, I'm still doing it.'"

"That's about it, actually."

## English yes, French non

Michael Thompson-Noel



I feel sorry for the French. I know that will provoke you because nobody on the planet, so far as I can determine, remotely likes the French. They have the best country in the world, yet their arrogance and rudeness serve as insurmountable barriers to anyone who tries to like them.

The reason I feel sorry for the French is that their efforts to protect their culture from American crap, pap and rubbish are doomed to failure, at least temporarily. True, the exclusion of films and broadcasting from the Gatt agreement on world trade liberalisation has been hailed by French politicians as prefacing victory in their struggle to stop Hollywood's moguls annihilating Europe's film industry.

But Europe's "victory" will prove hollow. Eventually, Hollywood will get its way. Technological developments in the global media marketplace are moving at such gigantic speed that efforts to preserve "cultural identity" by propping up regional film industries will not prevail.

The global village is a reality. As a result, the future is streaming into our homes and lives in a great sun-burst of particles.

For a while, Hollywood will hold sway. American audio-visual products will indeed rule the airwaves. Our lives will seem ever more coarse. We may get quite desperate. And we shall feel immeasurably sad as the French film industry topples into the gutter.

I love French movies. But I also love Australian movies, Italian movies, British movies, Spanish movies - movies of wit, distinction and sexiness from anywhere on

earth, Hollywood by no means excluded. I expect I would even enjoy Welsh movies if that grey little region ever stopped whinging, actually got its finger out and did something constructive to endear itself to the rest of us.

In London, according to listings in *Time Out* magazine, there are 27 American films on current release against eight British and two French. (I am not counting co-productions. *Orlando*, for example, a most enjoyable film, is listed as a British-Russian-French-Italian-Dutch co-production).

**HAWKS & HANDSAWS**

The preponderance of American films on show in London no doubt justifies filmmakers' accusations of US cultural imperialism.

But there is one development to come that, in the fullness of time, will rescue regional film-making and deal Hollywood a blow. It is this: the French and all the rest - China, perhaps, excluded - will make their films in English. They will do this because English is what they will speak.

You don't have to be a genius to see that the main reason why the French at present capture only the tiniest fraction of ticket sales in US cinemas is because they film their movies in French. Americans don't speak French. And they cannot struggle with subtitles.

This is not because they are thick -

well, not *exclusively* because they are thick - but because cinema audiences in the US cannot be expected to watch the screen and read subtitles while at the same time consuming immense quantities of food and Coke.

It shocks me that so many French people do not yet speak English. When did you last meet a German who did not speak English? Or a Scandinavian? Or a member of any number of forward-looking nations? When I visited the Norwegian embassy in London 10 days ago to berate them for their whaling, do you imagine we spoke Norwegian?

I was confronted by the phenomenon of non-English-speaking French people last April in Paris when attempting to find my hotel in the middle of the evening rush-hour. I was sitting in my car - traffic was at a standstill - when, from a passageway to my right, a Parisian shot out in a large, yellow Citroën, halting his vehicle only 1.5 mm from the side of my car.

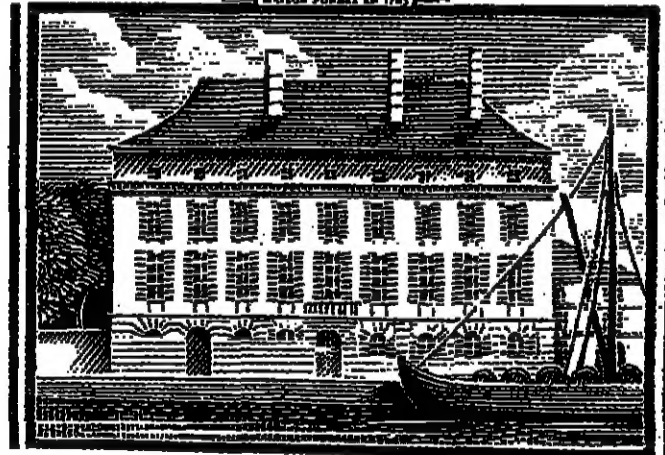
I looked at him aghast. And then I started shouting. "Have you the remotest idea what this car is," I screamed. "This car is a Rover, a noble and lineal descendant of the Spitfire aircraft that helped cleanse your skies and save you from the Hun."

"How dare you hurl that heap of lumpy metal virtually into my side. Are you completely mad? You look hopelessly mad to me." I kept this up for three minutes. Stonily, he stared. It dawned on me that he was equipped with not a word of English.

The French have got to get real, starting with their movies. They must ditch their dead language. The sooner they switch to English, the sooner they can play a rôle in zapping the Hollywood moguls.

Les Secrets Précieux de

HINE



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may bear a contemporary

date, the quintessence of

the spirit that it

houses, remains

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